

In The Matter Of:

*Dr. Donald Raggio and Dr. Chris Raggio v
MTGOX, a sole proprietorship, et al*

*Jed McCaleb 30(b)6 Representative
November 17, 2016*

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1 IN THE CIRCUIT COURT OF HINDS COUNTY, MISSISSIPPI 2 FIRST JUDICIAL DISTRICT 3 DR. DONALD RAGGIO 4 DR. CHRIS RAGGIO PLAINTIFFS 5 VS. CIVIL ACTION NO. 14-71 6 MTGOX, a sole proprietorship; 7 MTGOX, INC., a Delaware Corporation; 8 MT.GOX KK, a Japanese Corporation; 9 TIBANE KK, a Japanese Corporation; 10 MUTUM SIGILLUM, LLC, a Delaware 11 Limited Liability Company; 12 CODE COLLECTIVE, LLC, a New York 13 Limited Liability Company; 14 JED McCALEB, an individual; 15 MARK CARPELES, an individual; 16 JOHN DOES 1-5, and 17 CORPORATE JOHN DOES 1-5 DEFENDANTS 18 19 ***** 20 VIDEO DEPOSITION OF JED McCALEB, INDIVIDUALLY, 21 AND AS 30(B)(6) REPRESENTATIVE OF 22 DEFENDANT CODE COLLECTIVE, LLC 23 ***** 24 Taken at Forman, Watkins & Krutz, 25 200 South Lamar Street, Suite 100, Jackson, Mississippi, on Thursday, November 17, 2016, beginning at approximately 10:00 a.m. ***** CATHY M. WHITE, CCR Certified Court Reporter #1309 Notary Public ASPIRE REPORTING, LLC Post Office Box 2605 Ridgeland, Mississippi 39158-2605 601.797.9240 1.800.73.STENO	1 INDEX 2 Style 1 3 Appearances 2 4 Index 3 5 Examination by Mr. Tyner 4 6 Certificate of Deponent 118 7 Certificate of Court Reporter 119 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
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1 A P P E A R A N C E S 2 3 MITCHELL H. TYNER, ESQUIRE 4 mitch@tynerlawfirm.com 5 CHARLES "BRAD" MARTIN, ESQUIRE 6 cbradmartin@gmail.com 7 Tyner Law Firm 8 5750 I-55 North 9 Jackson, Mississippi 39211 10 601.957.1113 11 COUNSEL FOR PLAINTIFFS 12 13 EDWIN S. GAULT, JR., ESQUIRE 14 Win.Gault@formanwatkins.com 15 Forman, Watkins & Krutz 16 City Centre, Suite 100 17 200 South Lamar Street 18 Jackson, Mississippi 39201 19 601.960.8600 20 COUNSEL FOR DEFENDANTS 21 VIDEOGRAPHER: MATTHEW MAGEE 22 23 24 25	1 VIDEOGRAPHER: Good morning. This is the 2 videotaped deposition of Mr. Jed McCaleb taken by 3 counsel in the matter of Dr. Donald Raggio, et al., 4 versus MTGOX, a Sole Proprietorship, et al. Today's 5 date is November 17th, 2016. The time is now 10 a.m. 6 Counsel may now introduce themselves on the record. 7 MR. TYNER: I'm Mitch Tyner representing the 8 Raggios. 9 MR. MARTIN: Brad Martin for the Raggios. 10 MR. GAULT: Win Gault for Jed. 11 VIDEOGRAPHER: The court reporter may now 12 swear in the witness. 13 (Witness sworn.) 14 MR. GAULT: Before we get started, there were 15 some e-mails and discussions about, you know, this 16 is -- this deposition is not limited in any way. Are 17 we in agreement on that? 18 MR. TYNER: Yes. 19 MR. GAULT: Okay. Thank you. 20 JED McCALEB, 21 having been duly sworn, was examined and testified as 22 follows: 23 EXAMINATION 24 BY MR. TYNER: 25 Q. Good morning Jed. May I call you Jed?

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<p>1 A. Sure, yeah.</p> <p>2 Q. And I'm Mitch. We met a minute ago for the</p> <p>3 first time. Have you given a deposition before, Jed?</p> <p>4 A. No, this is the first time.</p> <p>5 Q. Okay. I'm sure your lawyer's already told</p> <p>6 you, it's relaxed, it's not like the courtroom.</p> <p>7 A. Uh-huh.</p> <p>8 Q. And here, unlike in the courtroom, you can</p> <p>9 just ask if I -- I'm going to ask you some questions</p> <p>10 that will be confusing. Just get me to -- just say,</p> <p>11 "Stop. I don't understand what you're asking."</p> <p>12 A. Sure.</p> <p>13 Q. Just be comfortable. If you need to stop,</p> <p>14 take a break to go the restroom, you know, it's a</p> <p>15 relaxed atmosphere here today, so ... Would you state</p> <p>16 your name for the record?</p> <p>17 A. Jed McCaleb.</p> <p>18 Q. Do you have a middle name, Jed?</p> <p>19 A. No.</p> <p>20 Q. No?</p> <p>21 A. No.</p> <p>22 Q. All right. Where were you born, Jed?</p> <p>23 A. In Arkansas.</p> <p>24 Q. Okay. And how old are you?</p> <p>25 A. I'm 41.</p>	<p>1 Q. What programming class was it, if you</p> <p>2 remember?</p> <p>3 A. It was a long time ago. I don't remember the</p> <p>4 exact name of it. I think it was just kind of intro</p> <p>5 to programming.</p> <p>6 Q. And things are moving fast, aren't they?</p> <p>7 A. Yeah.</p> <p>8 Q. So when you finished high school, you started</p> <p>9 college?</p> <p>10 A. That's right.</p> <p>11 Q. Where did you go to college?</p> <p>12 A. UC Berkeley.</p> <p>13 Q. And you only went one semester?</p> <p>14 A. Yes. I dropped out second semester.</p> <p>15 Q. Okay. And what did you do after that?</p> <p>16 A. I took a programming job in Connecticut, and</p> <p>17 then -- yeah.</p> <p>18 Q. For a company?</p> <p>19 A. Uh-huh.</p> <p>20 Q. Who was that, what company?</p> <p>21 A. I forgot the name of it. It's -- what's the</p> <p>22 guy's name? I forget the guy's name. It was</p> <p>23 somebody's name, LLC, something.</p> <p>24 Q. What kind of company was it?</p> <p>25 A. They did sort of document conversion, like,</p>
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<p>1 Q. Okay. Give me a brief educational</p> <p>2 background.</p> <p>3 A. I went to college for about a semester and a</p> <p>4 half. I already knew how to program, and I just</p> <p>5 started working in software.</p> <p>6 Q. Cool.</p> <p>7 A. Yeah.</p> <p>8 Q. Are there certain languages that you know how</p> <p>9 to program in or --</p> <p>10 A. Yeah, quite a few. Yeah.</p> <p>11 Q. Okay. How did you learn that?</p> <p>12 A. Largely self-taught, some at school.</p> <p>13 Q. Did you go to high school in Arkansas?</p> <p>14 A. I did, uh-huh.</p> <p>15 Q. Did they teach you some programming classes</p> <p>16 in high school?</p> <p>17 A. I took a programming class at a university</p> <p>18 when I was in high school, yeah.</p> <p>19 Q. Oh, okay.</p> <p>20 A. But the high school, itself, doesn't teach a</p> <p>21 programming class.</p> <p>22 Q. Okay.</p> <p>23 A. Yeah.</p> <p>24 Q. What University was that?</p> <p>25 A. University of Arkansas at Little Rock.</p>	<p>1 they basic- -- it was pre-internet, so it was</p> <p>2 basically like making -- you know, taking, like, text</p> <p>3 documents and making them, like, some linkable format,</p> <p>4 something like the internet, but it was a little bit</p> <p>5 before the days of the internet, so it was a bit</p> <p>6 different, so ...</p> <p>7 Q. Okay. Were you -- and you were programming</p> <p>8 there?</p> <p>9 A. Uh-huh, that's right.</p> <p>10 Q. And so were you trying to create databases,</p> <p>11 and then tag these documents, or --</p> <p>12 A. It was a system called Folio. I was like --</p> <p>13 sort of like a text -- it was sort of like the</p> <p>14 internet, but offline.</p> <p>15 Q. Okay.</p> <p>16 A. Yeah. It was, like, hyperlinked text</p> <p>17 documents.</p> <p>18 Q. Okay.</p> <p>19 A. But in the computer.</p> <p>20 Q. What year would that be?</p> <p>21 A. That would be '94, '95, somewhere in there.</p> <p>22 Q. Okay. And how long did you stay with that</p> <p>23 company in Connecticut?</p> <p>24 A. Maybe six months maybe, something like that.</p> <p>25 Q. What did you do after that?</p>

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1 A. Then I worked for a game company in Berkeley.
2 Q. Which one?
3 A. It's called Junglevision.
4 Q. Programming games?
5 A. Yeah, uh-huh.
6 Q. Are there any specific games that you got to
7 program that you recall?
8 A. I think it was called, like -- I don't
9 remember the exact name, Space -- I don't know what
10 they released the title. It was just called The Space
11 Game when I was working on it, but I don't know what
12 the title they eventually released it under.
13 Q. In a game like that, are there multiple
14 programmers working on it, or is it normally one that
15 works -- does most of the work?
16 A. I mean, nowadays, there's definitely
17 multiple. Back then, there was, you know, sometimes
18 you would do it by yourself, sometimes there would be
19 multiple. This particular one was worked on by many
20 people. I was the only one working on it at the time.
21 Q. Okay.
22 A. Yeah.
23 Q. And I'm sorry. What the name of that company
24 again?
25 A. It's called Junglevision.

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1 Q. Are they still around?
2 A. I don't know.
3 Q. And that would have been probably around '96
4 or so?
5 A. It was still probably, like, '95.
6 Q. '95?
7 A. Yeah.
8 Q. How long did you stay there?
9 A. Again, probably only about six months, yeah.
10 I was -- during all this time, I would work on
11 projects on my own, on my own games and things, so ...
12 Q. What were you working on back then?
13 A. Just various computer games.
14 Q. Okay. Did you ever commercially produce a
15 video game?
16 A. Not then. I did. Before Mt. Gox, I was
17 working on a video game, but not back then.
18 Q. Okay.
19 A. Yeah.
20 Q. Where did you go after the programming?
21 A. Let's see. After that, I started a company
22 with a friend of mine in Boston called Watson
23 Software.
24 Q. Okay. What did you guys do with Watson
25 Software?

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1 A. We did reporting for money managers. So if
2 you wanted, you know -- it was basically, like,
3 reporting tools for asset managers, things like that.
4 Q. Okay. So it would be, like, setting up
5 accounts for the asset manager where they could report
6 to their clients?
7 A. Yeah, so their clients could see, like, nice
8 charts and things like that, so ...
9 Q. Uh-huh. By then, they still weren't really
10 using the internet much, or not?
11 A. It was early days, for sure. I mean, the
12 internet was around for sure, but ...
13 Q. But the stuff you were doing with Watson,
14 were you doing that online at that point?
15 A. We had a website, yeah.
16 Q. Okay. And so just you and one other guy
17 owned that company. Is that right?
18 A. That's right. I mean, we hired some
19 salespeople.
20 Q. Uh-huh.
21 A. But, yeah, it was mainly just the two of us.
22 Q. And it was called Watson?
23 A. Watson Software, yeah.
24 Q. Software. Okay. Was it incorporated or an
25 LLC?

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1 A. I don't exactly remember. I believe it was
2 an LLC, or -- I believe it was an S corp.
3 Q. An S corp?
4 A. I don't remember exactly.
5 Q. That would be common back then, yeah.
6 A. Yeah.
7 Q. And then how long did you guys run that
8 company?
9 A. I don't really remember. Maybe around a year
10 or something. I don't know. Maybe longer.
11 Q. Who was the partner you had in the company?
12 A. Christian Rudder.
13 Q. What's the last name?
14 A. Rudder.
15 Q. Rudder, R-U-D-D-E-R?
16 A. Yeah, uh-huh.
17 Q. Okay. And how did you know Christian Rudder?
18 A. I've known him since junior high and high
19 school.
20 Q. So he grew up in Arkansas, as well?
21 A. That's right.
22 Q. What town did you say you grew up in?
23 A. I was born in Fayetteville. I grew up in
24 Little Rock.
25 Q. Okay. I remember, in college, going to the

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1 Toad Suck Tourney in Arkansas.
2 A. Oh.
3 MR. GAULT: To the what?
4 MR. TYNER: Toad Suck Tournament. It was a
5 debate tournament.
6 THE WITNESS: Yeah, that sounds about right.
7 MR. TYNER: I think it was in Little Rock.
8 I'm not sure. Oh, goodness, that's a long time ago.
9 BY MR. TYNER:
10 Q. So did -- what did you do after -- or why did
11 you leave Watson?
12 A. Why did I leave? Basically, just -- it just
13 wasn't working as well as we were wanting it to work,
14 so I left to do other things. And I believe, after I
15 left, I went to Silicon Valley and worked at a
16 startup.
17 Q. Okay.
18 A. I think that's the order of events. It's
19 hard to remember. There was a lot of moving around
20 back then.
21 Q. So you were working for what kind of startup
22 when you went to Silicon Valley?
23 A. They basically did remote administration of
24 computers. So, yeah, it was, again, programming to do
25 with software to help remotely administer computers.

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1 Q. What was the name of that startup?
2 A. It's called Everdream.
3 Q. Everdream?
4 A. Uh-huh.
5 Q. Is it still around?
6 A. No.
7 Q. No?
8 A. No.
9 Q. We're proud of somebody that does that here
10 in town called Joel Bomgar. I don't know if you've
11 seen the Bomgar company or not.
12 A. Huh-uh.
13 Q. But he started that in college, and it's
14 doing quite well. But it was remote access?
15 A. Yeah.
16 Q. And it's supposed to be secure remote access?
17 A. Yeah.
18 Q. Is that the same thing we're talking about,
19 where you could remote in and maybe work on somebody's
20 machine or --
21 A. Basically, it would -- it was sort of like
22 they would lease the computers to you so you wouldn't
23 just -- it would be more of a commodity rather than
24 you own the machine, they would own it, and then they
25 make sure everything was patched, and maintained, and

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1 secure, and all this kind of stuff.
2 Q. Okay.
3 A. So we worked on that kind of stuff.
4 Q. So you were involved with hardware, too, then
5 at that point?
6 A. I was just doing the software stuff.
7 Q. Okay.
8 A. Because there was all this -- the software
9 tools to remotely administer the machine and to make
10 sure everything was secure.
11 Q. Okay. And how long were you there?
12 A. I think I was there -- I was there -- I think
13 I was there for about a year.
14 Q. Okay. Have we gotten into the 2000s now?
15 A. This is -- I stopped working there around, I
16 believe, '98 or '99. Must have been '98 probably.
17 Q. Okay.
18 A. Yeah, or '99, somewhere in there.
19 Q. Where did you go from there?
20 A. Then I started another project on my own
21 called eDonkey2000, which was a file-sharing program.
22 Q. Okay. And that was around '99 or 2000?
23 A. I think I released it in '99.
24 Q. Okay. And what did eDonkey; what was its
25 purpose?

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1 A. Basically, it allowed you to -- to share
2 files without going through a central server. So it
3 was like a peer-to-peer network, similar to
4 BitTorrent, something like that, so ...
5 Q. And you released that yourself. Right?
6 A. That's right.
7 Q. Were you the 100 percent owner of that?
8 A. I was at first. Eventually, I brought on
9 someone to be CEO, and then he owned part of it.
10 Q. And they got part of it?
11 A. Yeah.
12 Q. Who was that the?
13 A. Sam Yagan.
14 Q. Spell Yagan.
15 A. Y-A-G-A-N.
16 Q. Okay. And then was that a -- did you make
17 money with eDonkey?
18 A. We made some money, yeah.
19 Q. How did you do that?
20 A. How did we make money?
21 Q. Yeah. How did you get paid?
22 A. There was ads, and we asked people to pay us,
23 so ...
24 Q. Okay. Is it kind of one of those volunteer
25 payments, if you use the software, maybe donate?

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<p>1 A. Well, it would remove the ad, and it was, 2 like, the pro version. 3 Q. Oh, okay. 4 A. So it had a couple other -- it was like a 5 freemium model kind of thing. 6 Q. I gotcha. And was that kind of your -- was 7 that your full-time work at that point? 8 A. Oh, yeah, uh-huh. 9 Q. How long did you continue with eDonkey? 10 A. I believe it was six years or something like 11 that. 12 Q. Uh-huh. 13 A. I think we closed it in 2005, 2004, somewhere 14 in there. 2005, I think, or maybe in 2006. I don't 15 remember exactly. 16 Q. Okay. Why did you close it? 17 A. Why did we close it? Basically, we had run 18 it for a long time. We were kind of tired of doing 19 it. There was -- the recording industry was, like, 20 threatening us. So we just -- rather than fight them, 21 we decided to shut down. 22 Q. So what did you do when you shut down 23 eDonkey? 24 A. I took some time off. I worked on various 25 other projects, kind of exploring what my next thing</p>	<p>1 A. It's kind of related, but, you know. 2 Q. So probably around 2008 is when you closed 3 that? 4 A. No, it was later. It was -- it basically was 5 winding down, like, slightly before I started Mt. Gox. 6 Q. Okay. 7 A. So around 2009. 8 Q. And you said there were some other people 9 involved? 10 A. One other person, yeah. 11 Q. Who was that? 12 A. Chris Nojima. 13 Q. Nojima? 14 A. Uh-huh. 15 Q. Japanese maybe? 16 A. He's half Japanese, yeah. 17 Q. And so y'all just -- you just shut the place 18 down. Is that -- 19 A. That's right, yeah. 20 Q. Were there a lot of employees? 21 A. Well, it was -- I think we had hired maybe 22 one other person. There was a lot of contractors, 23 yeah. Basically just gave the site to someone that 24 wanted to run it. 25 Q. Oh, okay.</p>
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<p>1 would be. Eventually, I made this online game, and it 2 was like a massive multiplayer online game. 3 Q. Oh, cool. What was the name of that? 4 A. It's called The Far Wilds. 5 Q. And was that commercially viable? 6 A. It may have -- I mean, it probably could have 7 sustained us. It didn't -- it wasn't, like, as much 8 of a success as I would have liked it to be, but I 9 probably could have kept doing it. But at some point, 10 there's, like, a, you know, high opportunity cost. 11 Q. So about how long did you work on that? 12 A. Oh, jeez. I want to say two or three years. 13 Q. And did you have a partner in -- 14 A. Uh-huh. 15 Q. -- The Wilds? Is it called the Wild? 16 A. The Far Wilds. 17 Q. The Far Wilds. 18 A. Uh-huh. Yeah, I did. 19 Q. Was it -- there was a book when I was a kid I 20 used to love. 21 A. The Wild Things? 22 Q. Wild Things. That's it. Was it based on 23 Wild Things? 24 A. No. 25 Q. Okay.</p>	<p>1 A. So it's still up, but we're not running it 2 anymore. 3 Q. I see. Is it still going today? 4 A. It is still going, yeah. He's still 5 maintaining it. 6 Q. What did you do after that? 7 A. After that, I started Mt. Gox. 8 Q. How did you get involved with Mt. Gox? 9 A. How'd I get involved with it? 10 Q. Yeah. 11 A. Well, I mean, I wrote it. I mean, I just 12 created it. 13 Q. Okay. And what was its purpose? 14 A. At that time, there wasn't a good way to buy 15 and sell bitcoins. So it was a way to do that, allow 16 people to do that. 17 Q. I've read something about -- what do the 18 initials stand for? 19 A. Magic: The Gathering Online Exchange. 20 Q. Yeah. Why did you choose that? 21 A. It was a domain I had left over from one of 22 these projects after eDonkey that I had done. 23 Q. Uh-huh. 24 A. It was a Magic: The Gathering trading site, 25 and I just had the domain left. So I didn't want to</p>

<p style="text-align: right;">Page 21</p> <p>1 buy a new one, so I just used that one.</p> <p>2 Q. Okay.</p> <p>3 MR. GAULT: Excuse me. What did it stand</p> <p>4 for?</p> <p>5 THE WITNESS: Magic: The Gathering Online</p> <p>6 Exchange, which is a card name.</p> <p>7 BY MR. TYNER:</p> <p>8 Q. It's a card game?</p> <p>9 A. Yeah.</p> <p>10 Q. And how long -- when you first bought that</p> <p>11 domain, did you get it up as an exchange for the</p> <p>12 cards?</p> <p>13 A. I did, yeah.</p> <p>14 Q. Okay. And about when was that that you</p> <p>15 started it?</p> <p>16 A. That was, I don't know, maybe 2007 or</p> <p>17 something. Yeah.</p> <p>18 Q. So you ran it for the online -- or the</p> <p>19 gaming?</p> <p>20 A. Maybe 2004, 20- --</p> <p>21 Q. Magic: The Online --</p> <p>22 A. Yeah. I didn't run it very long.</p> <p>23 Q. -- Gaming Exchange?</p> <p>24 A. Yeah. Basically, you know, I made it just to</p> <p>25 kind of see -- yeah, just kind of -- because, you</p>	<p style="text-align: right;">Page 23</p> <p>1 A. Yeah.</p> <p>2 Q. -- the cards? And was there any money going</p> <p>3 through there, or was it just the cards being traded</p> <p>4 by --</p> <p>5 A. It was just the cards, yeah.</p> <p>6 Q. Okay. So you couldn't just go on there and</p> <p>7 buy a card?</p> <p>8 A. I mean, they have these things called event</p> <p>9 tickets, which are -- you can buy for money, but you</p> <p>10 buy them from the Magic company, and then you can</p> <p>11 trade these event tickets for cards.</p> <p>12 Q. Okay. So the event ticket is like another</p> <p>13 currency?</p> <p>14 A. Yeah. Essentially like a digital currency</p> <p>15 kind of thing.</p> <p>16 Q. And then -- okay. So it would be easy to</p> <p>17 exchange money --</p> <p>18 A. Right.</p> <p>19 Q. -- for the digital card?</p> <p>20 A. Right.</p> <p>21 Q. How interesting.</p> <p>22 A. Yeah.</p> <p>23 Q. And so that -- about how long did you have it</p> <p>24 as the trading --</p> <p>25 A. I honestly don't remember. It was probably</p>
<p style="text-align: right;">Page 22</p> <p>1 know, it was more just kind of like a hobby experiment</p> <p>2 kind of thing, so ...</p> <p>3 Q. Okay. How did that work? I mean, I don't</p> <p>4 understand that game or anything.</p> <p>5 A. Right.</p> <p>6 Q. Just --</p> <p>7 A. How did it work technically?</p> <p>8 Q. Yeah. No. What was the game about, and why</p> <p>9 was there a need for an exchange?</p> <p>10 A. So Magic is a physical game, but with cards</p> <p>11 that you can trade, and everyone can have their own</p> <p>12 cards that they collect. They've made an online</p> <p>13 version of it where you have your online collection of</p> <p>14 cards. And in the online version, it's very</p> <p>15 cumbersome to trade the cards around. So I made a</p> <p>16 little bot that would log into the site and allow</p> <p>17 people to trade cards with it, so ...</p> <p>18 Q. Okay.</p> <p>19 A. You know, just to make it easier to trade.</p> <p>20 Q. Did you make money in that exchange?</p> <p>21 A. I didn't really make money. I mean, I wasn't</p> <p>22 trying to. It was more just, as I said, just like a</p> <p>23 hobby, kind of like for fun kind of thing.</p> <p>24 Q. Where the people had -- would they sign up</p> <p>25 accounts so they could trade --</p>	<p style="text-align: right;">Page 24</p> <p>1 just a few months.</p> <p>2 Q. Oh, not long at all?</p> <p>3 A. Yeah. It ended up -- like I said, I just</p> <p>4 made it as a hobby, and it started to become kind of a</p> <p>5 hassle, so I just closed it down.</p> <p>6 Q. Okay. How many accounts did you end up with</p> <p>7 on there --</p> <p>8 A. Oh, man, I really don't remember.</p> <p>9 Q. -- for the Magical cards?</p> <p>10 A. I don't remember.</p> <p>11 Q. Have you got any idea if it was a hundred or</p> <p>12 a thousand, 10,000?</p> <p>13 A. I mean, I would guess around 500 or</p> <p>14 something.</p> <p>15 Q. Okay.</p> <p>16 A. Yeah.</p> <p>17 MR. GAULT: So let's don't guess. Either you</p> <p>18 know it or you don't.</p> <p>19 A. I don't know it, but, you know.</p> <p>20 BY MR. TYNER:</p> <p>21 Q. But it would be less than a thousand you</p> <p>22 think?</p> <p>23 A. I mean, I don't really remember. It could be</p> <p>24 more, but ...</p> <p>25 Q. And about when did you stop -- did it close</p>

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<p>1 down, and you just -- and they stopped all the trading 2 for the cards? 3 A. Yeah. I stopped writing the bot that was -- 4 that you would trade through, so ... 5 Q. All right. And I don't know. What is a bot? 6 A. Basically, it's a little piece of software 7 that's connecting to their -- to this Magic online 8 site and doing the trading. Right? So it's this, 9 like, automated trader kind of thing. 10 Q. Okay. 11 A. So, yeah. 12 Q. But that wouldn't require much of your time, 13 would it, or would it? 14 A. Well, it does if it breaks, or -- 15 Q. Okay. 16 A. -- like, you know, there's -- or people have 17 issues, like, things don't work right. But, yeah. 18 Q. Okay. So did you charge for them to have 19 accounts on there? 20 A. No, I didn't charge for them having accounts. 21 No. 22 Q. Okay. And when made a trade, did you make a 23 little money on the trade or ... 24 A. I don't remember if I was charging commission 25 or not.</p>	<p>1 Q. Okay. So you took down the website entirely 2 at that point? 3 A. I'm pretty sure I did, yeah. 4 Q. Okay. And so how long was it dormant before 5 you started, kind of reinitialized Mt. Gox for 6 bitcoin? 7 A. The domain? I mean, well, depending on when 8 -- I mean, I started Mt. Gox for bitcoin in 2010. So 9 however many -- depending on when I stopped the 10 trading card site, so ... 11 Q. And do you know about when that was? 12 A. When I stopped the trading card site? 13 Q. Uh-huh. 14 A. Like I said, I started it in 2006, 2007, 15 2008, somewhere in there. 16 Q. Okay. 17 A. I think. 18 Q. So what did you do between the time that you 19 were doing the trading cards for Magic: The Online 20 Gaming Exchange until you went and kind of 21 reinitialized Mt. Gox for bitcoin? 22 A. Well, that's when I was making The Far Wilds, 23 my online game. 24 Q. Okay. 25 A. Yeah.</p>
Page 26	Page 28
<p>1 Q. Okay. How were you supporting yourself 2 financially then at that time? 3 A. I had money from eDonkey. 4 Q. Okay. Did you sell eDonkey? 5 A. I didn't, no. 6 Q. But you had accumulated some -- 7 A. We had benefit -- 8 Q. Okay. So from -- about when do you think you 9 stopped the gaming cards on Mt. Gox? 10 A. About when? Like I said, it was -- I don't 11 remember exactly when I started it. It was -- but I 12 stopped, you know, a few months after that. 13 Q. Within a few months? 14 A. Yeah. 15 Q. Okay. And so then Mt. Gox was just a dormant 16 domain? 17 A. Uh-huh. 18 Q. And you -- I guess you were hosting it 19 somewhere. Did you have your own server that you kept 20 it on? 21 A. I mean, you just -- it was parked at a 22 registrar. 23 Q. Oh, okay. 24 A. You don't have to have a server. Right? You 25 just pay for the name.</p>	<p>1 Q. All right. And that was working for another 2 company. Right? Or no. That was yours. 3 A. That was me, yeah. 4 Q. Okay. And so that was probably a two- or 5 three-year period. 6 A. Uh-huh. 7 Q. Is that right? 8 A. Yeah. 9 Q. Okay. And, you know, sometimes I'll have to 10 get you -- we normally do say, "Uh-huh," and, "Huh- 11 uh," and it's hard to put down. I'll get you to say 12 "Yes," and, "No," or affirmative or something. 13 A. Sure. Okay. 14 Q. It's hard, when you read a transcript, to 15 know what you meant. So were you still working on 16 your game when you reinitiated Mt. Gox to do bitcoin, 17 or had you completed that? Were you done with it? 18 A. I wasn't working on it anymore, no. 19 Q. Okay. And then how did you get involved in 20 bitcoin? 21 A. So, I read an article on Slashdot and found 22 it very interesting. 23 Q. Did you start mining any bitcoin? 24 A. No. 25 Q. Okay. And so it was in 2010 that you started</p>

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<p>1 the exchange backup, or the domain name MTGOX?</p> <p>2 A. That's right.</p> <p>3 Q. Is that right? And did you use the -- some</p> <p>4 of the same software that you had already created for</p> <p>5 the magical card exchange, or was it just a complete</p> <p>6 do-over and just used that domain name?</p> <p>7 A. I don't think I used any significant amount</p> <p>8 of software from it.</p> <p>9 Q. So it was pretty much a fresh start, and you</p> <p>10 just used that domain name?</p> <p>11 A. That's right.</p> <p>12 Q. Okay. So about when did you become</p> <p>13 interested in bitcoin?</p> <p>14 A. I believe the Slashdot article was in August,</p> <p>15 something like that.</p> <p>16 Q. Of '10?</p> <p>17 A. 2010.</p> <p>18 Q. 2010?</p> <p>19 A. Uh-huh.</p> <p>20 Q. And so then you started programming to create</p> <p>21 the exchange pretty soon thereafter. Is that --</p> <p>22 A. That's right.</p> <p>23 Q. -- right? Okay. And how long did it take</p> <p>24 you to program that and get it live?</p> <p>25 A. I believe it was a couple of weeks.</p>	<p>1 Q. How was that?</p> <p>2 A. You could find people in the forum. I think</p> <p>3 there was some other exchange that wasn't that good</p> <p>4 that you could use.</p> <p>5 Q. Okay. What was that other exchange?</p> <p>6 A. I don't remember the name.</p> <p>7 Q. Was it in the U.S.?</p> <p>8 A. It was.</p> <p>9 Q. Okay. Do you remember what city it was in?</p> <p>10 A. I don't.</p> <p>11 Q. Did you buy any bitcoin through it, through</p> <p>12 the other exchange?</p> <p>13 A. I don't believe so.</p> <p>14 Q. Okay. But you -- one of your motivations for</p> <p>15 the exchange was so that you would have an opportunity</p> <p>16 to purchase bitcoin yourself?</p> <p>17 A. That's right.</p> <p>18 Q. Okay. And you weren't interested in mining</p> <p>19 at that time?</p> <p>20 A. No.</p> <p>21 Q. Why not?</p> <p>22 A. Mining seems like -- well, if you're</p> <p>23 interested in bitcoin and want to buy bitcoin, it</p> <p>24 seems easier just to buy them than mine them.</p> <p>25 Q. And what was the price of bitcoin when you</p>
Page 30	Page 32
<p>1 Q. Okay. So by August, September, you had</p> <p>2 Mt. Gox up and running for --</p> <p>3 A. I believe so.</p> <p>4 Q. -- bitcoin exchange?</p> <p>5 MR. GAULT: Do me a favor. All right? Wait</p> <p>6 until he finishes his question, because you're kind of</p> <p>7 jumping in there before he quite gets through.</p> <p>8 THE WITNESS: Okay.</p> <p>9 MR. GAULT: And I told you, it happens all</p> <p>10 the time. Right?</p> <p>11 THE WITNESS: Sure.</p> <p>12 MR. GAULT: So just let him make sure he's</p> <p>13 done with his question, and then you answer it.</p> <p>14 THE WITNESS: Okay.</p> <p>15 BY MR. TYNER:</p> <p>16 Q. So within a few weeks of you reading this</p> <p>17 article, you decided that there may be a need for the</p> <p>18 exchange. Is that accurate? What made you put up the</p> <p>19 exchange?</p> <p>20 A. Well, I wanted to buy some bitcoins, and</p> <p>21 there wasn't a good way to do it. I figured other</p> <p>22 people might have the same issue.</p> <p>23 Q. Okay. Was there any way of buying bitcoin</p> <p>24 before you put Mt. Gox up?</p> <p>25 A. Yes.</p>	<p>1 put Mt. Gox up?</p> <p>2 A. I mean, there wasn't a good price established</p> <p>3 just because there wasn't a good market for it. So</p> <p>4 it's hard to say what the price was.</p> <p>5 Q. Okay. Did you eventually -- were you able to</p> <p>6 purchase bitcoin?</p> <p>7 A. I was.</p> <p>8 Q. Did you -- how much, how many bitcoin did you</p> <p>9 purchase?</p> <p>10 THE WITNESS: Do I have to answer that?</p> <p>11 MR. GAULT: You mean, just in general,</p> <p>12 forever, or what?</p> <p>13 MR. TYNER: Yeah.</p> <p>14 MR. GAULT: Can we take a break?</p> <p>15 MR. TYNER: Sure.</p> <p>16 MR. GAULT: I want to talk to him about that.</p> <p>17 MR. TYNER: I'm going to object to you</p> <p>18 talking to him about that.</p> <p>19 MR. GAULT: Okay.</p> <p>20 MR. TYNER: He's under oath right now, and</p> <p>21 we're not going to have conferences --</p> <p>22 MR. GAULT: Okay. I instruct him not to</p> <p>23 answer. So you can ask another question.</p> <p>24 MR. TYNER: Okay.</p> <p>25 BY MR. TYNER:</p>

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<p>1 Q. Was Mt. Gox -- did you end up having a lot of 2 accounts quickly on Mt. Gox? 3 A. I mean, I don't know what -- what do you mean 4 by "a lot"? 5 Q. Well, in the -- let's just say you started it 6 in about August or September of 2010. By the first of 7 the year, how many accounts had you accumulated? 8 A. I don't remember the number of accounts. 9 Q. Okay. 10 A. No. 11 Q. Was it over a thousand? 12 A. Yes. 13 Q. Was it over 10,000? 14 A. I don't remember. 15 Q. Over 5,000? 16 A. I don't remember that, either. 17 Q. Tell me how that would work. How would you 18 sign up to buy on Mt. Gox? 19 A. You would go and register. You'd have to 20 enter your e-mail address, and, you know, user name, 21 and create a password, and then you had an account. 22 And if you wanted to buy bitcoin, you would have to 23 send money through various ways to Mt. Gox, and then 24 at that point, you'd have money on the exchange, and 25 then you can buy bitcoin. If you wanted to sell</p>	<p>1 Q. All right. That reminds me, what was Code 2 Collective? 3 A. Code Collective was the company that made The 4 Far Wilds. 5 Q. I'm -- oh, okay. 6 A. The game, yeah. 7 Q. All right. And so you had several wallets to 8 receive the bitcoin. Is that correct? 9 A. That's right. 10 Q. So the individual did not have a wallet on 11 Mt. Gox. Is that right? 12 A. That's right. 13 Q. And then you just programmed it so that they 14 would have basically an account that would do debits 15 and credits to the account. Is that correct? Even 16 though the -- they didn't -- they didn't have access 17 to the wallet. Correct? 18 A. They did not have access to the wallet. 19 Q. Okay. And so how, if they wanted to move 20 bitcoin, how were they able to do that? 21 A. On the website, they could request a 22 withdrawal, and then would give a bitcoin address that 23 they wanted their bitcoin sent to, so ... 24 Q. Okay. And on your end, what would you do 25 when they requested bitcoin?</p>
Page 34	Page 36
<p>1 bitcoin, then you would get a bitcoin address, and you 2 could send bitcoin to that address, and then you could 3 put up an order to buy and sell, things like this, so 4 ... 5 Q. When somebody opened an account on Mt. Gox, 6 did they -- and they purchased bitcoin, where would 7 the bitcoin go? Did they have a wallet? Was that 8 automatically created when they created an account? 9 A. So there was -- you're saying when they 10 opened an account and put dollars in? 11 Q. Yes. 12 A. And then they -- then they went and bought 13 bitcoin? 14 Q. Yes. 15 A. So it would go into -- Mt. Gox had a few 16 different wallets that were owned by it, the company 17 that would hold the bitcoin. 18 Q. Okay. 19 A. Yeah. 20 Q. And who was the company? 21 A. Well, at first, it was me, and then I later 22 sold it, so then it wasn't me. 23 Q. Okay. So was there a company name? Was it 24 just you individually? 25 A. It was just me individually, yeah.</p>	<p>1 A. If they were logged in and the request was 2 legitimate, we had -- and it was below the daily 3 limit, then they could send the bitcoin. 4 Q. Okay. So what I'm asking is, was there a 5 human in between the transaction? 6 A. No. 7 Q. Okay. So it was automatic? You'd programmed 8 it to do that. Is that -- 9 A. That's right, yeah. 10 Q. Okay. And you said there was a limit? 11 A. Yeah. There was a daily limit of a thousand 12 dollars that you could withdraw. 13 Q. Okay. And what was the purpose of that? 14 A. To prevent any kind of -- if someone's 15 account is compromised, to prevent any kind of -- 16 like, to prevent -- to limit the size of the problem, 17 basically. 18 Q. How would people get money into their account 19 on Mt. Gox? 20 A. They could use a few different ways. They 21 could use PayPal, they could wire me money, they could 22 use this thing called Liberty Reserve, and maybe there 23 were some other ways, as well. 24 Q. What was Liberty Reserve? 25 A. It was this -- I don't know how you describe</p>

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<p>1 it. It's basically like PayPal, yeah.</p> <p>2 Q. Is it a U.S. company, as well?</p> <p>3 A. I think they were based in Costa Rica.</p> <p>4 Q. So let's say I opened up an account, and I</p> <p>5 wanted to put money in, and I was going to use Liberty</p> <p>6 Reserve. How would I do that?</p> <p>7 A. You would -- basically, we had an address</p> <p>8 that you could go into your Liberty Reserve wallet and</p> <p>9 say, I want to send X amounts of dollars to this</p> <p>10 address, and then we would see the transaction and</p> <p>11 credit your account.</p> <p>12 Q. Okay. So the money -- so the money would</p> <p>13 come to Mt. Gox from Liberty?</p> <p>14 A. That's right.</p> <p>15 Q. How would I get money to Liberty?</p> <p>16 A. I don't remember how you would get Liberty</p> <p>17 Reserve money.</p> <p>18 Q. Why didn't you just take credit cards?</p> <p>19 A. Because with credit cards, you can always</p> <p>20 charge them back. So it's a problem if somebody buys</p> <p>21 a bunch of bitcoin on a credit card and then charges</p> <p>22 their credit card back, so we don't get the money, but</p> <p>23 then, now, they have the bitcoin.</p> <p>24 Q. I gotcha. Let's see. When did you sell off</p> <p>25 most of Mt. Gox?</p>	<p>1 were?</p> <p>2 A. You could ask Mark. He would probably know.</p> <p>3 I mean, that's the only other person that would know,</p> <p>4 I think.</p> <p>5 Q. And was -- besides just wanting to buy</p> <p>6 bitcoin yourself, was there a financial -- hopefully,</p> <p>7 a profit- -- it would be a profitable exchange? Was</p> <p>8 there a profit motive?</p> <p>9 A. Not that much, honestly. I mean, it was</p> <p>10 still very early in the time of bitcoin, so it was</p> <p>11 totally unclear if it would take off at all. Like,</p> <p>12 what it's done now, I think, has exceeded, like,</p> <p>13 everybody's expectations at that point. So, you know,</p> <p>14 it was more just as a -- again, like, it was similar</p> <p>15 to the first Mt. Gox project, where it was just kind</p> <p>16 of a hobby into something that seemed cool to do.</p> <p>17 Q. Okay. Well, what motivated you to sell it?</p> <p>18 A. I -- well, a few things. I mean, it's -- it</p> <p>19 ended up being a lot of work to run. It's not that</p> <p>20 interesting of a thing to run. It's just a -- it's</p> <p>21 simple. Like, I like working on, like, hard,</p> <p>22 technical problems, and it's not that. So it wasn't</p> <p>23 interesting.</p> <p>24 Q. You were bored?</p> <p>25 A. Yeah, yeah.</p>
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<p>1 A. It was February 5th or 6th, 7th.</p> <p>2 Q. Okay. So you really only had it under your</p> <p>3 complete control for five --</p> <p>4 A. Yeah, I think was --</p> <p>5 Q. -- months?</p> <p>6 A. -- around five months, yeah.</p> <p>7 MR. GAULT: Let him finish his question.</p> <p>8 THE WITNESS: I'm sorry.</p> <p>9 MR. TYNER: He's helping. I'm not trying to</p> <p>10 trick him.</p> <p>11 MR. GAULT: I understand. I'm not saying you</p> <p>12 are. I just want him to have a little space. Happens</p> <p>13 to everybody, by the way. Everybody does that, so ...</p> <p>14 BY MR. TYNER:</p> <p>15 Q. When you sold it, how many accounts were</p> <p>16 there?</p> <p>17 A. I don't remember.</p> <p>18 Q. You don't have any idea? Twenty-five</p> <p>19 thousand?</p> <p>20 A. It was less than 25,000, but I don't remember</p> <p>21 the exact number.</p> <p>22 Q. Was it more than 10,000?</p> <p>23 A. I don't think so, but, you know, it was a</p> <p>24 long time ago.</p> <p>25 Q. How would I find out how many accounts there</p>	<p>1 Q. Were you making money with it when you sold</p> <p>2 it?</p> <p>3 A. It was profitable, yeah.</p> <p>4 Q. But boring?</p> <p>5 A. Yeah, yeah.</p> <p>6 Q. The -- how did you meet my client, Chris</p> <p>7 Raggio?</p> <p>8 A. I think the first time I met him was at a</p> <p>9 bitcoin conference in New York.</p> <p>10 Q. Okay. And about when was that?</p> <p>11 A. I believe it was summer of 2012.</p> <p>12 Q. Okay. So it was sometime after he had been</p> <p>13 purchasing bitcoin --</p> <p>14 A. That's right.</p> <p>15 Q. -- through your exchange?</p> <p>16 A. Yeah.</p> <p>17 Q. Okay. How did you guys -- how did it come</p> <p>18 about that he bought bitcoin through Mt. Gox?</p> <p>19 A. He e-mailed me and said, "I want to buy</p> <p>20 bitcoin," and just asked me the -- what he should do</p> <p>21 to do it.</p> <p>22 Q. Okay. And so tell me how that transaction</p> <p>23 took place. Was it more than -- well, back up. Did</p> <p>24 he have more than one transaction, or was it just one?</p> <p>25 A. One transaction -- like, one deposit of money</p>

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<p>1 onto Mt. Gox or --</p> <p>2 Q. Yeah. How many times did he send money?</p> <p>3 A. I don't remember how many times he sent</p> <p>4 money. I'm pretty sure it was more than one time,</p> <p>5 though.</p> <p>6 Q. Okay. Do you remember the amounts?</p> <p>7 A. Not exactly. You know, I don't remember</p> <p>8 exact amounts. It was, you know, in the tens of</p> <p>9 thousands, I think.</p> <p>10 Q. Was that significant at that time?</p> <p>11 A. It was on the higher end of people, yeah, for</p> <p>12 sure.</p> <p>13 Q. But there were some that were spending more</p> <p>14 than that?</p> <p>15 A. Yeah. He wasn't the highest.</p> <p>16 Q. Okay. In the top -- would you say it was in</p> <p>17 the top 10 or 20 people buying it?</p> <p>18 A. Probably, yeah.</p> <p>19 Q. Okay. So it would be somebody you would</p> <p>20 remember?</p> <p>21 A. Yeah. I mean, I knew who he was.</p> <p>22 Q. It was a fairly significant amount --</p> <p>23 A. Yeah.</p> <p>24 Q. -- being purchased?</p> <p>25 A. Yeah.</p>	<p>1 Q. Did you have different percentages for</p> <p>2 different accounts?</p> <p>3 A. I believe so. I believe there was some</p> <p>4 people that we designated as -- I mean, some</p> <p>5 relationships we had that we would give them a better</p> <p>6 percentage.</p> <p>7 Q. Okay. And you don't remember what the</p> <p>8 standard percentage was?</p> <p>9 A. No. I mean, I want to say it was around 1</p> <p>10 percent, but I don't remember if that's -- it's</p> <p>11 somewhere in that order.</p> <p>12 Q. How long was it after you put Mt. Gox back up</p> <p>13 to trade bitcoin before it was profitable?</p> <p>14 A. I'm not sure. I'm not sure.</p> <p>15 Q. When you put Mt. Gox back up, did you have</p> <p>16 the physical server yourself, or did you have it</p> <p>17 hosted somewhere?</p> <p>18 A. No, it was hosted.</p> <p>19 Q. Who was hosting it?</p> <p>20 A. I believe it was Amazon.</p> <p>21 Q. And is that who you have the domain parked</p> <p>22 with, as well?</p> <p>23 A. No.</p> <p>24 Q. Who was that that it was parked with?</p> <p>25 A. The domain registrar?</p>
Page 42	Page 44
<p>1 Q. And so you did purchase bitcoin on his</p> <p>2 behalf?</p> <p>3 A. I didn't, no.</p> <p>4 Q. Okay. How did the transaction go down?</p> <p>5 A. The way Mt. Gox works is people deposit</p> <p>6 money, and people deposit bitcoins, and then they put</p> <p>7 up offers saying, I'm willing to buy bitcoins at this</p> <p>8 price, I'm willing to sell bitcoins at this price, and</p> <p>9 then if there's a cross, like, in the market, if</p> <p>10 there's a cross, then there's a trade. Right?</p> <p>11 Q. Yes.</p> <p>12 A. So the operators of Mt. Gox are never</p> <p>13 involved in the trade. It's just between individuals,</p> <p>14 so ...</p> <p>15 Q. Okay. And then how would MT- -- how would</p> <p>16 you get paid when they had a transaction?</p> <p>17 A. So, there's a -- there was a commission on</p> <p>18 the transactions.</p> <p>19 Q. Okay. What was the amount of commission?</p> <p>20 Was it a percentage of the amount of the trade or --</p> <p>21 A. Yeah, it was a percentage of the trade.</p> <p>22 Q. And what was that percentage amount?</p> <p>23 A. I don't remember the percentage. I don't</p> <p>24 remember. I just don't remember. It was a long time</p> <p>25 ago. I just don't remember percentage.</p>	<p>1 Q. Yeah.</p> <p>2 A. It's DirectNIC.</p> <p>3 Q. Do you know where the server was physically</p> <p>4 located at Amazon that you --</p> <p>5 A. I don't remember which data center it was.</p> <p>6 Q. Did it take up much space?</p> <p>7 A. The server?</p> <p>8 Q. No, no. How much space did you use to run</p> <p>9 Mt. Gox?</p> <p>10 A. Space in what sense?</p> <p>11 Q. In the size.</p> <p>12 A. Like?</p> <p>13 Q. Gigs.</p> <p>14 A. Oh, I have no idea. I don't know.</p> <p>15 Q. Did you have an office for Mt. Gox?</p> <p>16 A. No.</p> <p>17 Q. So you would just run it out of your home?</p> <p>18 A. That's right.</p> <p>19 Q. Okay. Where was your home at that time?</p> <p>20 A. When I started it, my home was in Patterson,</p> <p>21 New York. Sometime when I was running it, I moved to</p> <p>22 Costa Rica for a bit, yeah.</p> <p>23 Q. Were you working on your gaming, game</p> <p>24 project, The Wild, while you were in New York?</p> <p>25 A. I was, yeah.</p>

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<p>1 Q. How long were you in New York? 2 A. I think I was in New York about nine years. 3 Q. And where in New York? 4 A. Mainly New York City. The last year, I 5 moved, or last two years maybe, I moved to Patterson, 6 New York, which is a bit outside. 7 Q. Okay. 8 A. Yeah. 9 Q. A bit outside the city? 10 A. Uh-huh, yeah. 11 Q. So in about August, you started the bitcoin 12 exchange, and you were in New York. Right? 13 A. That's right. 14 Q. And then sometime, you moved to Costa Rica? 15 A. That's right. 16 Q. Was that before the first of the year? 17 A. Must have been, yeah. 18 Q. What made you go to Costa Rica? 19 A. It's much warmer. We had two little kids. 20 It was easier to raise them there than in New York. 21 Q. Were you married at that time? 22 A. Was I married? No. 23 Q. I'm sorry? 24 A. No. 25 Q. Okay. Have you ever been married?</p>	<p>1 Q. Mark Karpeles. Where did you meet Mark? 2 A. I've never met Mark. 3 Q. How did it come about that you sold Mt. Gox 4 to Mark? 5 A. I had contracted Mark to do some integration 6 with a bank in Europe for me, so you could deposit 7 money in Mt. Gox with this European bank. And, you 8 know, like I said, I was wanting to stop running 9 Mt. Gox. I didn't want it to just go away because 10 people were depending on it, so I wanted someone else 11 to take it over. He was big in the bitcoin world, so 12 I -- you know, so I asked if he would want to take it 13 over, and he did, so ... 14 Q. When you went to Costa Rica, isn't that where 15 you said Liberty was located? 16 A. It is, yeah. 17 Q. Do you know the guys that had it? 18 A. No. 19 Q. Did you -- you never had interaction with 20 them while you were in Costa Rica? 21 A. No. I e-mailed them one time, but I didn't 22 get any significant response. 23 Q. Okay. After you sold Mt. Gox -- that would 24 have been February. Right? 25 A. That's right.</p>
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<p>1 A. No. 2 Q. And is the mother of your children, is it one 3 mother? 4 A. That's right, yes. 5 Q. And you have two children? 6 A. Yep. 7 Q. Okay. And what is her name, the mother of 8 the children? 9 A. Misoon Burzlaff. Misoon Burzlaff. 10 Q. Would you spell Burzlaff? 11 A. B-U-R-Z-L-A-F-F. 12 COURT REPORTER: First name, too? 13 THE WITNESS: Misoon, M-I-S-O-O-N. 14 COURT REPORTER: Thank you. 15 BY MR. TYNER: 16 Q. And how long did you stay in Costa Rica? 17 A. We lived there about a year. 18 Q. So you were in Costa Rica at the time that 19 you sold Mt. Gox to Mark Karpeles? 20 A. That's right. 21 Q. Am I saying his last name correctly? 22 A. I think so, yeah. 23 MR. TYNER: Okay. That's K-A-R-P-E-L-E-S. 24 THE WITNESS: L-E-S, yeah. 25 BY MR. TYNER:</p>	<p>1 Q. Then what did you do? 2 A. Then I started thinking about other projects, 3 other things to work on that would be more 4 interesting. 5 Q. Did you work on anything while you were still 6 in Costa Rica? 7 A. I started forming the idea for my next 8 company, yeah. 9 Q. Okay. And what was the next company? 10 A. It's called Ripple. 11 Q. And you were just forming the ideas while you 12 were in Costa Rica, or did you -- 13 A. That's right. 14 Q. -- start working on -- 15 A. I mean, it was -- yeah. It was mainly just, 16 like, thinking about it, how to do it, things like 17 that, so ... 18 Q. Okay. And you think you were in Costa Rica 19 about a year. So you would have -- did you move back 20 to the U.S.? 21 A. Yeah, I moved -- in the -- I believe it was 22 the summer of 2012, is when I moved back. 23 Q. Okay. And where did you move to when you 24 moved back? 25 A. To California.</p>

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<p>1 Q. What city?</p> <p>2 A. To Berkeley.</p> <p>3 Q. And did you start working on Ripple pretty</p> <p>4 soon after you got back?</p> <p>5 A. Yeah, immediately.</p> <p>6 Q. Immediately?</p> <p>7 A. Yeah.</p> <p>8 Q. And Ripple was your brainchild, pretty much?</p> <p>9 A. That's right.</p> <p>10 Q. Did you have any partners in Ripple?</p> <p>11 A. I hired some people. I eventually brought on</p> <p>12 someone to be CEO, and so he was part owner of the</p> <p>13 company at that point.</p> <p>14 Q. And who was the CEO?</p> <p>15 A. Chris Larsen.</p> <p>16 Q. And was Ripple, was it an S corp also, or how</p> <p>17 was it set up?</p> <p>18 A. It was a C corp.</p> <p>19 Q. Okay. So you owned shares of Ripple?</p> <p>20 A. That's right.</p> <p>21 Q. Okay. What amount of shares did you own as a</p> <p>22 percentage of Ripple?</p> <p>23 MR. GAULT: Hold on a second. I either need</p> <p>24 to talk to him about it, or I'm going to instruct him</p> <p>25 not to answer. So it's your choice. I don't know --</p>	<p>1 Ripple?</p> <p>2 A. Altogether -- I mean, depends on when you say</p> <p>3 it started. I left in, I think -- I want to say</p> <p>4 summer of 2013.</p> <p>5 Q. Okay.</p> <p>6 A. Or spring of 2013.</p> <p>7 Q. And --</p> <p>8 A. I don't know if that makes sense. Let me ...</p> <p>9 Q. I'm thinking you said you came back from</p> <p>10 Costa Rica the summer of '12. Right?</p> <p>11 A. That's right.</p> <p>12 Q. Is that right?</p> <p>13 A. Yeah.</p> <p>14 Q. And then you stayed -- you started working on</p> <p>15 Ripple pretty quickly?</p> <p>16 A. Yeah. I was -- it was roughly -- I think it</p> <p>17 was, like, nine months or a year, something like this.</p> <p>18 Q. Okay.</p> <p>19 A. Yeah.</p> <p>20 Q. When you left, what did you do with the</p> <p>21 shares of your stock?</p> <p>22 A. I retained them.</p> <p>23 Q. Okay. And when you left, was Ripple</p> <p>24 profitable?</p> <p>25 A. No.</p>
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<p>1 I mean, this is getting really into -- that kind of</p> <p>2 question really doesn't have any relevance here. If</p> <p>3 he doesn't care and he'll answer it, that's fine with</p> <p>4 me, but I need to talk to him about that.</p> <p>5 MR. TYNER: Okay.</p> <p>6 MR. GAULT: So I'll either instruct him not</p> <p>7 to answer, or you can let me talk to him about it.</p> <p>8 MR. TYNER: All right. Talk to him about it.</p> <p>9 MR. GAULT: Let's take a break.</p> <p>10 VIDEOGRAPHER: Off the record. The time is</p> <p>11 10:28.</p> <p>12 (Recess.)</p> <p>13 MR. GAULT: You can ask him.</p> <p>14 VIDEOGRAPHER: Back on the record. The time</p> <p>15 is 10:50.</p> <p>16 BY MR. TYNER:</p> <p>17 Q. What percentage of Ripple did you own?</p> <p>18 A. I don't remember the exact ownership. It was</p> <p>19 approximately 40 percent.</p> <p>20 Q. Okay. And the 60 percent belonged to who</p> <p>21 else?</p> <p>22 A. Chris owned the same percent I did. There</p> <p>23 were some initial investors that owned some, and there</p> <p>24 was employees that owned the rest, so ...</p> <p>25 Q. Okay. And how long did you stick with</p>	<p>1 Q. How would Ripple make money?</p> <p>2 A. You know, I don't know what their current</p> <p>3 plan is, but --</p> <p>4 Q. What was your plan to make money with Ripple?</p> <p>5 A. Ripple is similar to bitcoin. It had an</p> <p>6 underlying digital currency. So if that currency</p> <p>7 appreciated in value, then it can sell that.</p> <p>8 Q. Okay. So it's kind of dependent on Ripple</p> <p>9 being successful.</p> <p>10 A. Yeah.</p> <p>11 Q. Is that right? Or is the -- the only income</p> <p>12 was really going to be on the appreciation of the</p> <p>13 Ripple itself?</p> <p>14 A. That's right.</p> <p>15 Q. Is that right?</p> <p>16 A. Yeah. I mean, that was the original plan.</p> <p>17 Q. Okay. And did you guys develop a Ripple</p> <p>18 exchange?</p> <p>19 A. No.</p> <p>20 Q. No. How did people acquire Ripple?</p> <p>21 A. You could -- I mean, it was traded on other</p> <p>22 exchanges.</p> <p>23 Q. Uh-huh.</p> <p>24 A. So, yeah.</p> <p>25 Q. Could they mine it like they did bitcoin?</p>

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<p>1 A. No.</p> <p>2 Q. After you sold Mt. Gox to Mark Karpeles, did</p> <p>3 you help him learn that system, or was there a</p> <p>4 transition kind of period, or what? How did that go?</p> <p>5 A. Yeah, I helped him for another few weeks,</p> <p>6 just transition, teach him what I was doing, and</p> <p>7 things like that.</p> <p>8 Q. And the -- was it just -- was it only located</p> <p>9 on one server that Amazon was maintaining?</p> <p>10 A. I don't remember how many servers we had.</p> <p>11 There may have been a database server, as well.</p> <p>12 Q. Okay. And were they both in that same center</p> <p>13 that Amazon had, or did you -- what I'm asking is, did</p> <p>14 you have it two different places geographically?</p> <p>15 A. No. It was just one center.</p> <p>16 Q. Okay. When you sold it to Mark, did he move</p> <p>17 the server?</p> <p>18 A. I believe he did.</p> <p>19 Q. Do you know where he moved it to?</p> <p>20 A. I don't know.</p> <p>21 Q. Okay. And do you know how long after he</p> <p>22 purchased it that he moved it?</p> <p>23 A. I don't know that, either.</p> <p>24 Q. Why do you think he moved it?</p> <p>25 A. I don't know, you know.</p>	<p>1 A. I don't know.</p> <p>2 Q. Now, I believe you said that Chris Raggio</p> <p>3 contacted you by e-mail. Is that right?</p> <p>4 A. That's right.</p> <p>5 Q. Okay. And how would he know to contact you;</p> <p>6 do you know?</p> <p>7 A. I assume -- I mean, my -- the e-mail address</p> <p>8 was listed on the Mt. Gox website. So I assume that's</p> <p>9 how he did it.</p> <p>10 Q. Okay.</p> <p>11 A. Yeah.</p> <p>12 Q. And what's your recollection of that</p> <p>13 communication when he first contacted you?</p> <p>14 A. He was basically saying I want to, you know,</p> <p>15 I want to buy X amount of dollars worth of bitcoin,</p> <p>16 how do I do that? And then I just explained to him</p> <p>17 what he needed to do.</p> <p>18 Q. Okay. And what was it that he needed to do?</p> <p>19 A. I believe he wired the money to my bank</p> <p>20 account, and then I told him to put in an offer to --</p> <p>21 on the exchange to buy the bitcoin.</p> <p>22 Q. Okay. At that time, what was the normal</p> <p>23 volume of bitcoin being traded daily?</p> <p>24 A. Oh, I have -- it was a very long time ago. I</p> <p>25 have no idea what that volume was back then.</p>
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<p>1 Q. Well, you just -- you thought he did, and I</p> <p>2 just wondered if he told you that or --</p> <p>3 A. Oh, he told me that he was going to move it,</p> <p>4 yeah.</p> <p>5 Q. Did you help him with that so he could have</p> <p>6 access to move it, or -- because the data would have</p> <p>7 to physically move, and I'm just thinking there would</p> <p>8 be a shutdown or something in between. I don't know.</p> <p>9 A. Well, he told me he was going to move it. I</p> <p>10 don't know why he was going to move it. The -- moving</p> <p>11 the server is not a hard operation. You just -- you</p> <p>12 just copy all the data to wherever the new location</p> <p>13 is, and then you just, at some point, you point the</p> <p>14 DNS at the new IP. Right? So it's actually --</p> <p>15 Q. It's not a big deal?</p> <p>16 A. People won't even notice.</p> <p>17 Q. Okay.</p> <p>18 A. Yeah.</p> <p>19 Q. So it wouldn't really require it be shut down</p> <p>20 for a day --</p> <p>21 A. No.</p> <p>22 Q. -- and moved? Okay. Do you -- and you don't</p> <p>23 know why he wanted to move it. Right?</p> <p>24 A. I don't.</p> <p>25 Q. Do you know if he moved it to Japan?</p>	<p>1 Q. If you -- do you recall approximately the</p> <p>2 price of bitcoin when my client was buying it?</p> <p>3 A. I believe -- I don't recall it, but looking</p> <p>4 at the e-mails, it looks like it was around 30 cents</p> <p>5 or something like that.</p> <p>6 Q. Okay. If someone placed a large order, would</p> <p>7 that affect the -- if someone was going to buy 10,000</p> <p>8 bitcoin, would that be a -- \$10,000 worth of bitcoin,</p> <p>9 would that be a large order?</p> <p>10 A. I -- honestly, I don't remember if you were</p> <p>11 able to move that much at that point or not.</p> <p>12 Q. And what I'm getting to is, if you place an</p> <p>13 order like that, you could very easily run the price</p> <p>14 up on yourself. Is that true or not?</p> <p>15 A. I don't know if that's the threshold, but</p> <p>16 there's definitely some amount of money where, if you</p> <p>17 place an order, it would make the price go up for</p> <p>18 sure, so ...</p> <p>19 Q. Do you know what the average order was on</p> <p>20 Mt. Gox?</p> <p>21 A. I honestly don't remember.</p> <p>22 Q. And do you remember what the value of the</p> <p>23 outstanding bitcoin was at that time?</p> <p>24 A. You mean the total bitcoin in the world?</p> <p>25 Q. Yes, uh-huh.</p>

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<p>1 A. I mean, you can figure it. If bitcoin was 30 2 cents, I mean, you can figure it out. Yeah, so ... 3 Q. Thirty cents and -- 4 A. I mean, there's only -- at that point, what 5 would there -- there'd be, I mean, like, probably like 6 8,000,000 bitcoin mined at that point. So 30 cents 7 times 8,000,000. 8 Q. So that's two-and-a-half million. 9 A. Yeah. 10 Q. Something like that. Come on now. 11 A. So, yeah. 12 Q. Did Chris go ahead and send you money, wire 13 it to you? 14 A. He did. 15 Q. And the -- what account was it that he sent 16 that money to? 17 A. I believe he sent it to the Code Collective 18 business account. 19 Q. Okay. And Code Collective is the company 20 that you had for the -- 21 A. For the game. 22 Q. -- for the game? 23 A. Yeah. 24 Q. And that was when you were mostly in New 25 York. Right?</p>	<p>1 Q. Uh-huh, yes. 2 A. Like I say, I don't remember if that was my 3 bank, but -- or if that was my -- I don't remember if 4 that was my business bank or -- and I definitely don't 5 remember if that was my personal bank. I could have 6 used a different bank, but I believe so. 7 Q. Okay. So my client, Chris, wired you money? 8 A. Uh-huh. 9 Q. And then did you have -- do you, at that 10 point, have to manually credit his account? 11 A. That's right. 12 Q. Okay. And who would do that? 13 A. I would. 14 Q. Okay. And, at that point, he was free to 15 trade. Is that right? 16 A. That's right. 17 Q. Did Chris ask you to help him buy a large 18 amount of bitcoin? 19 A. I believe he asked me about advice on how to 20 do it. 21 Q. And what advice would you give him? 22 A. I don't remember what I said to him. I think 23 he was asking about this feature that I had on there 24 called dark pools, which basically meant that you 25 could put up an order, and people couldn't see that</p>
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<p>1 A. That's right. 2 Q. Okay. You didn't open a separate account for 3 Mt. Gox? 4 A. No. 5 Q. And the account that he wired money to, was 6 that a checking account? 7 A. Yes. 8 Q. Who was that account with? 9 MR. GAULT: You mean what bank? 10 MR. TYNER: Yes. 11 A. I believe Chase, but I could be wrong. 12 BY MR. TYNER: 13 Q. Okay. Did you have a lot of business 14 accounts at that time? 15 A. No. That was the only one. 16 Q. What about personal accounts; did you have a 17 lot of personal accounts at that time? 18 A. I don't believe so. 19 Q. Did you have any? 20 A. I don't remember, but probably. 21 Q. Okay. How would you pay your bills? 22 A. I assume I have it in a bank account. 23 Q. Okay. Would -- did you do most of your 24 business with Chase? 25 A. You mean my personal business or the --</p>	<p>1 the order was there. So if you wanted to buy a large 2 amount, most of it would be hidden so it wouldn't move 3 -- it wouldn't scare the market, essentially. 4 Q. Okay. 5 A. So, I think he had placed all of his order as 6 a dark pool, but there's different ways of placing it, 7 and I think he had placed it where it could only be 8 taken by other dark pool orders, and I think I told 9 him he should make it where it could be placed by dark 10 -- taken by dark pool orders and normal orders, so he 11 could have more people taking his offer. 12 Q. Okay. 13 A. So ... 14 Q. And did they do that? Did he follow that 15 advice? 16 A. I don't know what he did. I don't remember 17 what he did. 18 Q. Okay. 19 A. I didn't look. 20 Q. At some point, he notified you that he had 21 bitcoin missing. Correct? 22 A. That's right. 23 Q. How did he notify you of that? 24 A. Via e-mail. 25 Q. Okay. And what did you do once he notified</p>

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<p>1 you that he had bitcoin missing?</p> <p>2 A. I checked his account to see, you know, who</p> <p>3 had logged in, things like that.</p> <p>4 Q. Okay.</p> <p>5 A. So ...</p> <p>6 Q. And what else did you do? Did you</p> <p>7 investigate it at all?</p> <p>8 A. Once he had told -- once he told me where the</p> <p>9 bitcoins went, I looked to see where those bitcoins</p> <p>10 went after that, because you can follow the trail of</p> <p>11 coins.</p> <p>12 Q. Okay. And where had they gone?</p> <p>13 A. So, it looks like they had gone to this one</p> <p>14 bitcoin account, and then from that bitcoin account,</p> <p>15 some had gone back to Mt. Gox, so ...</p> <p>16 Q. Okay. And when was this going on,</p> <p>17 approximately?</p> <p>18 A. I think he e-mailed me in January --</p> <p>19 Q. Okay.</p> <p>20 A. -- 2011.</p> <p>21 Q. January of '11. Okay. And how many bitcoin</p> <p>22 were missing from his account?</p> <p>23 A. He told me 9,000, around.</p> <p>24 Q. Okay. And so you were able to see that it</p> <p>25 came out of his account, and you could trace it back</p>	<p>1 A. Yeah. I don't know when the bitcoin was</p> <p>2 moved back into Mt. Gox, but I know that we didn't</p> <p>3 discover it being moved back into Mt. Gox until after</p> <p>4 I had sold it to Mark.</p> <p>5 Q. What was the date that you sold Mt. Gox to</p> <p>6 Mark?</p> <p>7 A. It was February 5th, 6th, or 7th, somewhere</p> <p>8 in there.</p> <p>9 Q. Okay. Did you tell -- you were already aware</p> <p>10 that the coin had been stolen. Right?</p> <p>11 A. Well, I don't know if the coin was stolen. I</p> <p>12 know that it was -- Chris was claiming that. Like, I</p> <p>13 don't really know what happened to it, so ...</p> <p>14 Q. Okay. But at the time you sold the exchange,</p> <p>15 you knew that Chris had said there was --</p> <p>16 A. That's right.</p> <p>17 Q. -- 9,000 missing? Okay. And did you believe</p> <p>18 Chris?</p> <p>19 A. I did. I mean, it's -- you know, I mean, I'm</p> <p>20 not a hundred percent certain, but, you know, I</p> <p>21 believe him.</p> <p>22 Q. After -- well, before he reported to you that</p> <p>23 he was missing this bitcoin, had anybody else had any</p> <p>24 bitcoin missing?</p> <p>25 A. I don't know if it was before or after, but</p>
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<p>1 into an account that it came back into Mt. Gox. Is</p> <p>2 that right?</p> <p>3 A. That was -- we -- we saw that much later,</p> <p>4 though. Like, I don't know if --</p> <p>5 Q. Okay.</p> <p>6 A. -- it moved back much later, or we weren't</p> <p>7 able to see it until later, but that wasn't</p> <p>8 immediately, so ...</p> <p>9 Q. Okay. But, eventually, you could see it went</p> <p>10 back into Mt. Gox?</p> <p>11 A. Yes.</p> <p>12 Q. And you knew which account that was.</p> <p>13 Correct?</p> <p>14 A. Which account it went back to?</p> <p>15 Q. Yes.</p> <p>16 A. That's right. But like I say, that happened</p> <p>17 after I had already sold the site, so ...</p> <p>18 Q. When the money came back into the account,</p> <p>19 you'd already sold Mt. Gox?</p> <p>20 A. I don't remember when the money came back</p> <p>21 into the account, but --</p> <p>22 Q. I'm sorry. I said money, and I meant</p> <p>23 bitcoin.</p> <p>24 A. Right.</p> <p>25 Q. I don't know if there was --</p>	<p>1 there have been other -- there was someone else that</p> <p>2 lost some bitcoin.</p> <p>3 Q. And was that before you sold it, someone else</p> <p>4 had lost bitcoin?</p> <p>5 A. I believe it was before, yeah.</p> <p>6 Q. How many bitcoin -- was it just one other</p> <p>7 person or multiple?</p> <p>8 A. I believe it was two people.</p> <p>9 Q. Was that two including the Raggios?</p> <p>10 A. No, not including those.</p> <p>11 Q. So it would be three total?</p> <p>12 A. Yeah.</p> <p>13 Q. Okay. And who would those people that had</p> <p>14 bitcoin missing?</p> <p>15 A. Who are they?</p> <p>16 Q. Yes.</p> <p>17 A. I don't remember who they were. I mean, I</p> <p>18 don't think I ever -- I didn't have much interaction</p> <p>19 with them.</p> <p>20 Q. How did you know that they were missing</p> <p>21 bitcoin?</p> <p>22 A. Theirs were compromised in a different way,</p> <p>23 for sure, and I could see the way that their accounts</p> <p>24 were compromised.</p> <p>25 Q. Uh-huh.</p>

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<p>1 A. And, yeah, so ...</p> <p>2 Q. Explain that to me. How was -- how were the</p> <p>3 Raggios' compromised?</p> <p>4 A. I don't know how the Raggios' was</p> <p>5 compromised. So -- yeah. Somebody had his user name</p> <p>6 and password, and was able to log in and take the</p> <p>7 bitcoin, so ...</p> <p>8 Q. Okay. And then -- but the other two, you</p> <p>9 could tell how they were compromised?</p> <p>10 A. That's right.</p> <p>11 Q. And how was that?</p> <p>12 A. They were compromised by this thing called a</p> <p>13 dictionary attack, which is where somebody tries</p> <p>14 several different passwords again and again, and then</p> <p>15 they eventually got the right password, and were able</p> <p>16 to log into their account.</p> <p>17 Q. And how could you determine that was what</p> <p>18 they did?</p> <p>19 A. I believe I saw as -- because to do this</p> <p>20 dictionary attack, you basically have to try thousands</p> <p>21 and thousands of passwords. So it's thousands and</p> <p>22 thousands of log-in attempts, and all of this is</p> <p>23 logged. So -- and every once in a while, I would look</p> <p>24 at the server logs and see, and I could see, like, all</p> <p>25 these attempts. There was also -- in order to do a</p>	<p>1 have any significance?</p> <p>2 A. Oh, those, they didn't withdraw bitcoin.</p> <p>3 Those guys withdrew dollars.</p> <p>4 Q. Oh.</p> <p>5 A. Yeah.</p> <p>6 Q. So they withdrew cash?</p> <p>7 A. Yeah.</p> <p>8 Q. How much cash was it?</p> <p>9 A. I don't remember the amount, but it was less</p> <p>10 than the Raggio theft, for sure.</p> <p>11 Q. Okay. So it was less than \$10,000 then?</p> <p>12 A. Yeah.</p> <p>13 Q. Okay. And did you just -- did you pay for</p> <p>14 that, or what did you do with those accounts?</p> <p>15 A. I don't remember what I did with them. I</p> <p>16 think I split it, like, they paid half and I paid</p> <p>17 half.</p> <p>18 Q. Okay. And you think that that happened</p> <p>19 before or after Chris had his missing?</p> <p>20 A. I believe it happened after.</p> <p>21 Q. Okay. Was there a limitation on the amount</p> <p>22 of cash someone could withdraw?</p> <p>23 A. If I remember correctly, it was a \$1,000</p> <p>24 limit of any kind, either dollars or cash -- dollars</p> <p>25 or bitcoin.</p>
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<p>1 dictionary attack, you have to get somebody's user</p> <p>2 name, as well.</p> <p>3 Q. Uh-huh.</p> <p>4 A. Because, otherwise, you're guessing two</p> <p>5 things. So prior to this dictionary attack, somebody</p> <p>6 had done this thing where they were able to scrape a</p> <p>7 bunch of user names from Mt. Gox, and these two</p> <p>8 accounts were some of the user names that had gotten</p> <p>9 discovered. And both of those things indicate that</p> <p>10 there was a dictionary attack, and then some amount of</p> <p>11 coins were stolen from them.</p> <p>12 Q. What was the amount that was stolen from</p> <p>13 them?</p> <p>14 A. I don't remember, but it was nowhere near</p> <p>15 what Chris Raggio's was.</p> <p>16 Q. Okay. So when -- you said that the -- I'm</p> <p>17 sorry. It's all a little confusing to me, so ...</p> <p>18 A. Yeah.</p> <p>19 Q. The other two that had been compromised, were</p> <p>20 you able to trace them, as well, follow where those</p> <p>21 coins went?</p> <p>22 A. I don't know if we even tried it.</p> <p>23 Q. Okay.</p> <p>24 A. So ...</p> <p>25 Q. It was such a small amount, it just didn't</p>	<p>1 Q. Okay. So if -- just how does that work that</p> <p>2 you would get your cash back? I mean, like, if I had</p> <p>3 an account, and I had 10,000 that was sitting there,</p> <p>4 and I wanted to bring it back to my bank, how would I</p> <p>5 do that?</p> <p>6 A. So there's a few different methods. I could</p> <p>7 send you PayPal, I could send you to Liberty Reserve,</p> <p>8 and then maybe there were some other ones.</p> <p>9 Q. Okay. So did it require a human to --</p> <p>10 A. Liberty Reserve didn't require a human. I</p> <p>11 don't remember if PayPal did or not.</p> <p>12 Q. So, if I was going to -- so, Liberty -- so,</p> <p>13 if I made a request for \$10,000 to go to Liberty --</p> <p>14 A. Uh-huh.</p> <p>15 Q. -- then they would have an account, I guess,</p> <p>16 for me?</p> <p>17 A. Yep.</p> <p>18 Q. And it would get deposited there, and then I</p> <p>19 would deal with Liberty to get it --</p> <p>20 A. That's right, yeah.</p> <p>21 Q. -- back? Okay. And you think that was --</p> <p>22 would be handled by the software and be an automatic</p> <p>23 kind of transaction?</p> <p>24 A. Yeah. Liberty Reserve was automated, for</p> <p>25 sure.</p>

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<p>1 Q. Okay. But with PayPal, it may have required</p> <p>2 human intervention?</p> <p>3 A. Yeah. I don't remember if, PayPal, I had to</p> <p>4 do it manually or not.</p> <p>5 Q. Okay.</p> <p>6 A. I may have automated it, but it may have been</p> <p>7 manual.</p> <p>8 Q. Okay. And so there was just probably a</p> <p>9 button I could push on there and say send me this</p> <p>10 amount of cash through PayPal, or Liberty, or</p> <p>11 whatever. Is that --</p> <p>12 A. That's right.</p> <p>13 Q. Okay. So, really, all I would need would be</p> <p>14 a user name and password to get access to the account?</p> <p>15 A. Yeah.</p> <p>16 MR. GAULT: Excuse me real quick. You've</p> <p>17 been going about an hour and 15. Do you want to take</p> <p>18 a break, stretch your legs, whatever? It's your call,</p> <p>19 so ...</p> <p>20 THE WITNESS: I'm good.</p> <p>21 MR. GAULT: Okay.</p> <p>22 BY MR. TYNER:</p> <p>23 Q. When -- and I believe you said you sold</p> <p>24 Mt. Gox February the -- do you remember the date?</p> <p>25 A. It was the beginning of February.</p>	<p>1 account, whose account was that?</p> <p>2 A. The user name on the account was Barron.</p> <p>3 Q. It was just a one-name --</p> <p>4 A. It's the -- yeah. It's the user name, so,</p> <p>5 yeah, just one.</p> <p>6 Q. Oh, the user name. Okay. So when you signed</p> <p>7 up, you didn't have to put in a first and last name?</p> <p>8 A. No.</p> <p>9 Q. When someone registered for an account, did</p> <p>10 you have any way to track that person at all?</p> <p>11 A. I just had their e-mail and their IP address.</p> <p>12 Q. You did log their IP address when they signed</p> <p>13 up?</p> <p>14 A. Yes.</p> <p>15 Q. If someone was logging in, did you check to</p> <p>16 make sure it was the same IP address?</p> <p>17 A. You can't do that because IP addresses</p> <p>18 change. Right? People are on -- most people are not</p> <p>19 on a static IP address.</p> <p>20 Q. So you did not have a check to see if it was</p> <p>21 the same IP address when they logged in?</p> <p>22 A. No, because, like I said, you can't. I mean,</p> <p>23 nobody does that.</p> <p>24 Q. Okay. But when they first signed up, you</p> <p>25 kept that information, you stored the information</p>
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<p>1 Q. Okay.</p> <p>2 A. 5th, 6th, 7th, something in there.</p> <p>3 Q. Did you tell the Raggios you had sold</p> <p>4 Mt. Gox?</p> <p>5 A. I don't remember when I told him, but I told</p> <p>6 him at some point, yeah.</p> <p>7 Q. Did you tell Mark Karpeles that the bitcoin</p> <p>8 had gone missing for the Raggios' account?</p> <p>9 A. I did.</p> <p>10 Q. Okay. And what -- was there a plan to get</p> <p>11 them taken care of? Did you have any kind of plan</p> <p>12 to --</p> <p>13 A. So, like I said, it was unclear -- to me</p> <p>14 the -- you know, it's unfortunate that those coins</p> <p>15 went missing, but ultimately, someone compromised his</p> <p>16 password. It was either in someone he knows or</p> <p>17 something on his computer, so we didn't feel at fault</p> <p>18 for it, you know, but we would have liked to recover</p> <p>19 his coins if we could, but it's not something that we</p> <p>20 thought we were, like, actually responsible for. And</p> <p>21 I think Mark felt the same way. So -- and then later,</p> <p>22 when it came to light that these coins did come back,</p> <p>23 then we thought maybe there's an opportunity to</p> <p>24 recover his coins, so ...</p> <p>25 Q. And so when you saw them come back into an</p>	<p>1 about the IP address that created the new account?</p> <p>2 A. I did.</p> <p>3 Q. Okay. And for this -- what did you say their</p> <p>4 name was?</p> <p>5 A. Barron.</p> <p>6 Q. Yeah. You had that IP address?</p> <p>7 A. I did, yeah.</p> <p>8 Q. Could you tell where he was located?</p> <p>9 A. I don't remember where it was.</p> <p>10 Q. But could you tell?</p> <p>11 A. I mean, you could do a -- yeah, you could do</p> <p>12 a look-up on the IP address, and it doesn't tell you</p> <p>13 conclusively, but, yeah.</p> <p>14 Q. Did you do that?</p> <p>15 A. I don't remember if I did or not.</p> <p>16 Q. Okay. And you had no other way to identify</p> <p>17 this person?</p> <p>18 A. Other than the e-mail, no.</p> <p>19 Q. And did you try to find out who it was</p> <p>20 through the e-mail?</p> <p>21 A. I looked, yeah. It was -- if I remember, the</p> <p>22 e-mail address was, I think, Barron@contractor.net.</p> <p>23 So I tried to figure out what this contractor.net</p> <p>24 thing was.</p> <p>25 Q. Okay. And were you able to find what</p>

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<p>1 contractor.net was?</p> <p>2 A. Nothing ever useful came out of it, I don't</p> <p>3 think, so ...</p> <p>4 Q. Okay. I mean, you could -- you, obviously,</p> <p>5 could figure out who had purchased that domain?</p> <p>6 A. Sometimes you can. Often the whois stuff is</p> <p>7 masked, so you can't see who bought it.</p> <p>8 Q. Okay. And you don't remember if you</p> <p>9 discovered who owned contractor.net or not?</p> <p>10 A. I don't remember. I remember, like, pursuing</p> <p>11 that, and never being fruitful. So I don't remember</p> <p>12 what I actually got at the end of it, but -- whether</p> <p>13 it was hidden, or if it was some mail server that</p> <p>14 served lots of people, or what. I just remember it</p> <p>15 not being useful.</p> <p>16 Q. You couldn't identify them?</p> <p>17 A. Yeah.</p> <p>18 Q. Okay. So when the bitcoin came back into</p> <p>19 Barron's account -- Barron, I should be able to</p> <p>20 remember that now. That's Trump's son. When it came</p> <p>21 back into Barron's account, what happened with it?</p> <p>22 A. I don't remember what he did, like, if he had</p> <p>23 traded it or not. So I don't know if it was still</p> <p>24 sitting there, or if he had already exchanged it to</p> <p>25 dollars, or what had happened, so ...</p>	<p>1 don't know if it was more or less.</p> <p>2 Q. Okay. And did you take any action to try to</p> <p>3 preserve that bitcoin that came back into Barron's</p> <p>4 account?</p> <p>5 A. Once we realized that this had happened,</p> <p>6 like, once I realized that there was some account that</p> <p>7 Chris's coins had gone to, and then those coins that</p> <p>8 that account had sent to Mt. Gox, then we froze that</p> <p>9 Mt. Gox account.</p> <p>10 Q. Okay.</p> <p>11 A. So we froze Barron's account at that point.</p> <p>12 Q. Okay. Did Barron's account -- you're not</p> <p>13 sure if it had enough in there to cover Chris's loss</p> <p>14 or not?</p> <p>15 A. I don't know if it had enough bitcoins. It</p> <p>16 had enough dollars for sure. It was about \$45,000</p> <p>17 worth of stuff.</p> <p>18 Q. Okay.</p> <p>19 A. In other words, bitcoins or dollars. I don't</p> <p>20 know what it was denominated in, but at the time we</p> <p>21 froze it, it was worth about \$45,000.</p> <p>22 Q. Okay. And that would be -- would that be</p> <p>23 total bitcoin and cash or --</p> <p>24 A. I believe so, yeah.</p> <p>25 Q. Okay.</p>
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<p>1 Q. You just remember there was either dollars,</p> <p>2 or bitcoin, or both, that came back into that account?</p> <p>3 A. Definitely -- I mean, I can't trace the</p> <p>4 dollars, so it was definitely bitcoin that had come</p> <p>5 back.</p> <p>6 Q. Okay.</p> <p>7 A. And by say "come back," I mean basically</p> <p>8 like --</p> <p>9 Q. It went of Mt. Gox?</p> <p>10 A. -- Chris's bitcoin went to a certain bitcoin</p> <p>11 account that had more than Chris's bitcoin there, and</p> <p>12 bitcoin from that account went to this Barron account,</p> <p>13 so just to be clear.</p> <p>14 Q. Can you tell, like, if you're looking -- if</p> <p>15 you have an address, can you look at that and see how</p> <p>16 many bitcoin are associated with that address?</p> <p>17 A. Yes.</p> <p>18 Q. Cool. Do you recall how many you could see</p> <p>19 at that address?</p> <p>20 A. I don't remember, but it was more than</p> <p>21 Chris's. I don't remember how many were there.</p> <p>22 Q. Okay. And the amount of bitcoin that went</p> <p>23 back to Mt. Gox, was it more than Chris's, or was it</p> <p>24 the same amount?</p> <p>25 A. It wasn't the same amount as Chris's. I</p>	<p>1 A. I don't remember how it broke down, but --</p> <p>2 Q. Okay.</p> <p>3 A. Yeah.</p> <p>4 Q. And so, at some point, did you then transfer</p> <p>5 money to Chris to cover that or bitcoin?</p> <p>6 A. Because at this point, I no longer owned</p> <p>7 Mt. Gox, it was in Mark's hands, you know, I told -- I</p> <p>8 explained to Mark the situation, and explained to him</p> <p>9 the information why I thought that Barron was</p> <p>10 suspicious, at least, and then I believe Mark</p> <p>11 contacted Barron and tried to figure out what was</p> <p>12 going on, so ...</p> <p>13 Q. Okay. And did you try to help any to get</p> <p>14 this taken care of?</p> <p>15 A. I had some e-mail exchange with Barron, as</p> <p>16 well, and some exchange on the forum. But beyond</p> <p>17 that, no.</p> <p>18 Q. And the forum, what is the forum?</p> <p>19 A. There's a -- there was a pretty popular forum</p> <p>20 for bitcoin where people can, like, post messages and</p> <p>21 talk about it. That was kind of where everybody that</p> <p>22 knew about bitcoin at that time would go and talk</p> <p>23 about bitcoin stuff, so ...</p> <p>24 Q. And what's the name of that forum? Or is it</p> <p>25 -- is it a name, or how do you find it?</p>

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<p>1 A. Bitcointalk.org.</p> <p>2 Q. Okay.</p> <p>3 A. Yeah.</p> <p>4 Q. And so is it just like a blog or something</p> <p>5 that people talk back and forth or create topics</p> <p>6 and --</p> <p>7 A. That's right.</p> <p>8 Q. I've seen that kind of stuff.</p> <p>9 A. Yeah, yeah. Anyone can post a topic and</p> <p>10 write, and then people reply to them, things like</p> <p>11 this.</p> <p>12 Q. Okay. And so you communicated with Barron on</p> <p>13 the forum or directly, or with his e-mail?</p> <p>14 A. Both.</p> <p>15 Q. Okay. And what was his response?</p> <p>16 A. He claimed that he had bought these bitcoin</p> <p>17 off of somebody on IRC that he didn't know, and that,</p> <p>18 basically, maybe the person he bought them from stole</p> <p>19 them, but he didn't steal them.</p> <p>20 Q. Okay. Would that be plausible?</p> <p>21 A. It seems unlikely to me. I mean, it's</p> <p>22 definitely possible, yeah.</p> <p>23 Q. But you could see it left the Raggios'</p> <p>24 account --</p> <p>25 A. Uh-huh.</p>	<p>1 could actually maybe have been a -- like, another</p> <p>2 wallet, basically, where it holds the bitcoins of lots</p> <p>3 of different people.</p> <p>4 Q. Uh-huh.</p> <p>5 A. So it's hard to know.</p> <p>6 Q. Okay. And so after y'all froze the account,</p> <p>7 then what happened?</p> <p>8 A. Mark said he was going to continue to</p> <p>9 investigate, and he thought that he needed court</p> <p>10 approval to be able to send from one of his users'</p> <p>11 accounts to another of his users' account. So he told</p> <p>12 me and Chris that he was trying to seek that approval.</p> <p>13 I don't know what he was doing beyond that, if</p> <p>14 anything, so ...</p> <p>15 Q. Did you call and talk to him or -- back up.</p> <p>16 Did you ever talk to him personally, like, on the</p> <p>17 phone?</p> <p>18 A. To Mark?</p> <p>19 Q. Yes.</p> <p>20 A. A couple of times, not very often.</p> <p>21 Q. So it was mostly e-mail, I presume?</p> <p>22 A. It was mostly -- I mean, I basically didn't</p> <p>23 talk to him that much. But, yeah, some e-mails.</p> <p>24 Q. E-mails?</p> <p>25 A. Yeah.</p>
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<p>1 Q. -- and went to a number, went to a -- what do</p> <p>2 you call that?</p> <p>3 A. Bitcoin address.</p> <p>4 Q. Address. Okay.</p> <p>5 A. Yeah.</p> <p>6 Q. And you could see, in that address, that it</p> <p>7 had not only the Raggios', but it had more bitcoin.</p> <p>8 Do you recall -- theirs was about 9,000. Do you</p> <p>9 recall how much was in that address?</p> <p>10 A. I really don't remember.</p> <p>11 Q. You just remember it was more?</p> <p>12 A. I remember it was more.</p> <p>13 Q. And then you could see that bitcoin went from</p> <p>14 that address into Barron's account. Right?</p> <p>15 A. That's right.</p> <p>16 Q. Is that right?</p> <p>17 A. Uh-huh.</p> <p>18 Q. Okay. And so Barron is claiming that he</p> <p>19 bought bitcoin on IRC, and that's how -- and we</p> <p>20 know -- well, we don't know where all of those bitcoin</p> <p>21 came from at that address?</p> <p>22 A. That's right. I don't know if he was</p> <p>23 claiming that he owned that address, or if he had the</p> <p>24 person that he bought them from send them directly to</p> <p>25 Mt. Gox. So, you know -- or this thing in the middle</p>	<p>1 Q. Okay. And so you would -- you would e-mail</p> <p>2 him about the Raggios?</p> <p>3 A. I may have. You know, it wasn't -- it</p> <p>4 definitely wasn't a regular thing. I think maybe</p> <p>5 Chris asked me to e-mail him one time or something,</p> <p>6 yeah.</p> <p>7 Q. What e-mail address were you using at that</p> <p>8 time?</p> <p>9 A. I had several.</p> <p>10 Q. What were they?</p> <p>11 A. Well, I had my personal e-mail account. I</p> <p>12 had my account for my new company. Mark didn't turn</p> <p>13 off my jed@mtgox account just because sometimes people</p> <p>14 would still e-mail me there.</p> <p>15 Q. Your what X; what did you say, Jed?</p> <p>16 A. Jed@mtgox account.</p> <p>17 Q. Oh, jed@mtgox.</p> <p>18 A. Yeah.</p> <p>19 Q. Okay.</p> <p>20 A. And I have another personal account. I mean,</p> <p>21 I have a bunch of old e-mail accounts.</p> <p>22 Q. But if you were communicating with Mark, what</p> <p>23 account would you use?</p> <p>24 A. Most likely, the jed@mtgox.</p> <p>25 Q. But you could have used your personal?</p>

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<p>1 A. I would sometimes e-mail him from my personal 2 account. 3 Q. What was that e-mail account? 4 A. Jed2000@gmail. 5 Q. Okay. And then you probably had one at 6 Ripple, as well? 7 A. Yeah. 8 Q. And what was that e-mail? 9 A. Jed@ripple.com. 10 Q. Okay. Any others? 11 A. Yeah. I have another personal account, 12 swamp12@yahoo.com. 13 Q. Okay. 14 A. Ripple was called The Open Coin briefly, so I 15 had an Open Coin account. 16 Q. Okay. 17 A. Yeah. I had an account for Far Wilds still, 18 yeah. 19 Q. Were they all jed@? 20 A. Yeah, for the most part. 21 Q. -- opencoin.com? 22 A. Yeah. 23 Q. Do you still have the Gmail account? 24 A. My personal, Jed2000? 25 Q. Yeah.</p>	<p>1 Q. Okay. And what was his e-mail address? 2 A. Well, he took over admin@mtgox. 3 Q. Okay. 4 A. Which was the main way people had contacted 5 me before. And he took over -- and then he added 6 mark@mtgox. 7 Q. Okay. When you first started communicating 8 with Mark, do you remember what e-mail address that 9 was? 10 A. What e-mail address I used? 11 Q. Before he -- no. Before he bought Mt. Gox, 12 what e-mail he used? 13 A. I don't remember. I think it was something 14 MagicalTux, was in there somewhere. 15 Q. Okay. 16 A. I don't know. 17 Q. I can't -- is -- you said that you hired him 18 to write some code for Mt. Gox. Is that right? 19 A. That's right. I contracted him to do this 20 integration for a bank in Europe. 21 Q. Okay. What bank was that? 22 A. It was a bank in Finland. I don't remember 23 the bank's name. 24 Q. And so he would just write software to 25 communicate between the bank and Mt. Gox. Is that</p>
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<p>1 A. Yes, I do. 2 Q. Okay. Can you go back and pull those e-mails 3 that you would have sent to Mark at that time? 4 A. From my personal one? 5 Q. Yes. 6 A. It's technically possible, yeah. 7 Q. And then what about the Mt. Gox e-mail? 8 A. Those are gone. 9 Q. Was the e-mail server for Mt. Gox the same 10 server that the exchange was hosted on? 11 A. No. We used -- well, I used Gmail for it. I 12 think maybe Mark switched it off of Gmail at some 13 point. 14 Q. You used Gmail for the e-mail for Mt. Gox? 15 A. That's right, yeah. They'll -- Google will 16 do a domain server for you for -- do a mail server for 17 you, if you ask them to. 18 Q. Okay. 19 A. So ... 20 Q. And so when you first set up the e-mail for 21 Mt. Gox, you used the Google? 22 A. Yeah. 23 Q. Okay. And then you think, at some point, 24 Mark may have changed it? 25 A. I think so. I'm not sure.</p>	<p>1 right? 2 A. That's right. So when someone would deposit 3 money there, it would automatically get credited in 4 their account, things like that, so ... 5 Q. Okay. And you had just put this exchange up, 6 like, in August or so? 7 A. Uh-huh. 8 Q. About how long -- about when was it that you 9 got him to do the Finland bank? 10 A. I don't know. Approximately maybe December 11 or something like that. 12 Q. Okay. How did you find him? 13 A. He had done other projects in the bitcoin 14 space, like, done other things for bitcoin, and he was 15 on IRC, and he was talking -- yeah. So I just asked 16 him. 17 Q. So you just saw him -- 18 A. Around. 19 Q. -- in the groups? 20 A. Yeah. 21 Q. What was he doing with bitcoin before 22 Mt. Gox? 23 A. I don't remember exactly what he had done 24 now. I think he had made some way where you could see 25 the different bitcoin nodes on a map, and I think he</p>

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<p>1 had -- was selling hosting or something for bitcoin, 2 things like that, so ... 3 Q. Selling hosting? 4 A. Like, selling server hosting, so you could 5 host a server and pay for it in bitcoin. 6 Q. Oh, okay. 7 A. Yeah. 8 Q. Just rack space? 9 A. Yeah. 10 Q. But pay for it in bitcoin? 11 A. Exactly. 12 Q. Okay. How did you -- why didn't you use 13 somebody stateside to write that code for Finland? 14 What made him the right guy for that? 15 A. I asked, in the channel, who had done stuff 16 like that before. He had done work like that before, 17 so ... 18 Q. Okay. And so did he complete that project? 19 A. I don't remember if he finished or not. 20 Q. Okay. I mean, that wouldn't be a big -- a 21 huge project, would it? 22 A. It's more difficult than it sounds just 23 because their API is nonexistent, basically. It's 24 like -- it's kind of a hassle, yeah. 25 Q. So it's not really the coding that's so hard,</p>	<p>1 He understood how the system worked, and he just kind 2 of ran it from there. That was basically the extent 3 of it. 4 Q. When he bought Mt. Gox, did he open a bank 5 account so you could transfer the cash to him? 6 A. How did that work? I don't know how we 7 transferred the cash. At some point, we definitely 8 did. I don't remember how it was transferred, though. 9 Q. Do you think you wrote a check, or you wired 10 it? 11 A. I doubt I -- I probably wired it. I doubt I 12 would have wrote a check, but ... 13 Q. What was the amount of cash that you 14 transferred when you sold it? 15 A. I don't remember. I just -- I don't 16 remember. 17 Q. Over \$100,000? 18 A. Maybe. I just don't remember how much it was 19 at all. 20 Q. You think it was a million dollars? 21 MR. GAULT: He said he didn't know, third try 22 this time. 23 MR. TYNER: Well, we can narrow this down a 24 little bit. 25 THE WITNESS: I don't --</p>
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<p>1 but -- 2 A. Banks, dealing with bank software is 3 cumbersome. So there's, like, intricacies there, I 4 guess. Like, it's not -- it's not as easy as it 5 should be. 6 Q. Okay. And I guess that's for security. I 7 mean ... 8 A. No. I think it's more just, like, legacy, 9 and just bad coding, and things like that on their 10 part. So, just old. 11 Q. Okay. What software did you use to write -- 12 or what programming language did you use to write 13 Mt. Gox? 14 A. PHP. 15 Q. And is that what he would use for this 16 interface? 17 A. Yeah. 18 Q. Okay. PHP? 19 A. Uh-huh. 20 Q. What does PHP stand for, if you know? 21 A. I don't know what PHP stands for. 22 Q. So how long did you keep communicating with 23 Mark Karpeles after you sold Mt. Gox? 24 A. Really, only for another month. And then at 25 that point, he had pretty much taken over completely.</p>	<p>1 MR. GAULT: If he doesn't know, he doesn't 2 know. 3 MR. TYNER: Well -- 4 A. It wasn't a million dollars. 5 MR. TYNER: Okay. So he does know that. 6 MR. GAULT: You got me. 7 BY MR. TYNER: 8 Q. You think it was less than half a million 9 dollars? 10 A. Yeah. I'm sorry. I just don't really 11 remember. It's really a long time ago. 12 Q. And then what about the bitcoin? How did you 13 transfer those wallets? 14 A. Again, I don't recall, but I likely just gave 15 him the secret keys. 16 Q. Gave him the secret keys? 17 A. Yeah. 18 Q. How does that work? 19 A. Bitcoin addresses are just the public keys of 20 a corresponding secret key, and if you have the secret 21 key, you can make transactions on the bitcoin address. 22 Right? 23 Q. Okay. 24 A. So ... 25 Q. So the bitcoin would have stayed in the</p>

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<p>1 wallets that you created, and you just gave him access</p> <p>2 to them?</p> <p>3 A. Well, I don't remember what happened,</p> <p>4 actually. Now that I think about it, he probably made</p> <p>5 me send them to new wallets, but I don't remember what</p> <p>6 we did. But that's pretty straightforward, to either</p> <p>7 send to a new address or do something, so ...</p> <p>8 Q. And how many -- about how many wallets did</p> <p>9 you have for Mt. Gox?</p> <p>10 A. I don't know. I mean, there -- I believe</p> <p>11 there was one wallet for every customer, so they could</p> <p>12 -- they would have a deposit address that we would</p> <p>13 watch. So there was probably quite a few. None of</p> <p>14 those would have bitcoin in them, though. There was</p> <p>15 just a handful that would actually retain bitcoin.</p> <p>16 Q. Okay. And a handful, you're thinking five?</p> <p>17 A. Yeah. I really don't remember how it was set</p> <p>18 up.</p> <p>19 Q. But it wouldn't be one for every -- you</p> <p>20 weren't retaining bitcoin in a whole bunch of</p> <p>21 different wallets?</p> <p>22 A. No.</p> <p>23 Q. One for every --</p> <p>24 A. No. No significant amount, no.</p> <p>25 Q. Okay. And how many bitcoin were at Mt. Gox</p>	<p>1 could -- he could say, hey, I'm going -- I really did</p> <p>2 buy this. Is that trying to give confidence?</p> <p>3 A. People were worried that he didn't actually</p> <p>4 have the bitcoin that was represented on the site.</p> <p>5 Q. Okay.</p> <p>6 A. Like I'd either sold it, or lost it, or</p> <p>7 something like that. So to prove that he still had</p> <p>8 control over it, he moved it.</p> <p>9 Q. Oh, okay. And that was -- it was after,</p> <p>10 obviously, he bought it, but was it fairly soon after</p> <p>11 he bought it?</p> <p>12 A. No, it was long after. I mean, I don't</p> <p>13 remember when it was. Maybe --</p> <p>14 Q. Months?</p> <p>15 A. Months. It was months after, but, yeah.</p> <p>16 Q. Okay. So when you -- were you -- you said he</p> <p>17 did it -- was it in a public forum, was he speaking,</p> <p>18 or was it just on the --</p> <p>19 A. It was on Bitcointalk, I believe.</p> <p>20 Q. Okay. And he was basically saying, look, I</p> <p>21 really do have the coin, you guys look over here, and</p> <p>22 you can see me, I'll move it?</p> <p>23 A. Yeah.</p> <p>24 Q. Is that -- is that right?</p> <p>25 A. Something like that, yeah.</p>
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<p>1 when you sold it?</p> <p>2 A. I really don't remember at all, you know.</p> <p>3 Q. At the time you sold Mt. Gox, it was the</p> <p>4 largest bitcoin exchange in the world, wasn't it?</p> <p>5 A. That's right.</p> <p>6 Q. And I think you said a while ago, you thought</p> <p>7 about 8- or 9,000,000 had been mined by then?</p> <p>8 A. Yeah. I mean, we'd have to look at the chart</p> <p>9 to see what the actual number was, but I think around</p> <p>10 there, so ...</p> <p>11 Q. Around there?</p> <p>12 A. Yeah.</p> <p>13 Q. Do you remember the amount of bitcoin in</p> <p>14 relationship to what was out?</p> <p>15 A. I remember, shortly after I sold it, Mark did</p> <p>16 some demonstration, and I think he moved around</p> <p>17 400,000 bitcoin to show that he had access to it, so</p> <p>18 it was --</p> <p>19 Q. Oh, okay.</p> <p>20 A. But that was after.</p> <p>21 Q. Yeah.</p> <p>22 A. And I think he had -- I think there was a lot</p> <p>23 more deposited after I had sold it, basically. So it</p> <p>24 was some amount less than that.</p> <p>25 Q. Okay. And he would just move it so people</p>	<p>1 Q. I'm just trying to understand all this. I</p> <p>2 mean, it's pretty amazing that anybody can actually</p> <p>3 see it. How do you go about doing that? How do</p> <p>4 you --</p> <p>5 A. Looking at it?</p> <p>6 Q. Uh-huh.</p> <p>7 A. Well, basically, that's what -- basically</p> <p>8 any, like, bitcoin node can inspect the addresses.</p> <p>9 Right? And see -- I mean, that's what bitcoin is.</p> <p>10 It's a way for all these different servers to agree on</p> <p>11 what node owns -- or what address owns what. Right?</p> <p>12 So if you run a bitcoin node, you can look up a</p> <p>13 particular address and see what -- how much it's</p> <p>14 holding.</p> <p>15 Q. Okay.</p> <p>16 A. Yeah.</p> <p>17 Q. Okay. So not everybody can do it, but you</p> <p>18 have to be running a node to be able to see?</p> <p>19 A. That's right, yeah.</p> <p>20 Q. Okay. And what's a node?</p> <p>21 A. It's just -- I mean, bitcoin is this</p> <p>22 peer-to-peer network. Right? So it's just running</p> <p>23 one of the pieces of software in the network. Right?</p> <p>24 Q. Uh-huh.</p> <p>25 A. So something that's following the bitcoin</p>

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<p>1 protocol and is talking to the other bitcoin servers 2 out there in the world, so -- is a node. 3 Q. So would -- like, if you -- like, you can go 4 and download the bitcoin software to your computer? 5 A. That's right. 6 Q. And do you become a node when you do that, or 7 is that different? 8 A. I mean, "node" is not a very specific term, 9 but, I mean, I guess, technically, you'd become a node 10 if you -- well, you would become a node probably -- in 11 the real sense, you'd become a node if you start 12 validating, if you start mining, essentially, then you 13 become a node. 14 Q. Okay. 15 A. But you can get the block chain, and you can 16 verify the block chain. So, basically, you can look 17 at the thing and see if this is, indeed, the longest 18 chain, and things like that, so ... 19 Q. But if I've downloaded that software, I 20 should be able to go look at all these transactions? 21 A. That's right. 22 Q. Or do I still have to be mining? 23 A. No, you don't have to be mining. 24 Q. Okay. So if I knew what I was doing, I could 25 go look and see what --</p>	<p>1 if someone hacks into your machine, and, like, 2 compromises it, they won't be able to take all the 3 bitcoin. 4 Q. Okay. 5 A. So ... 6 Q. And if it is offline, is it just on another 7 -- on a computer that's not connected to the net? 8 A. That's right. 9 Q. Is that right? 10 A. Yeah. 11 Q. Okay. I had heard something about you could 12 have paper. Is that -- is that true, you could 13 actually print your bitcoin? 14 A. Well, can you print the -- you can print the 15 secret key. Right? So if you've printed the secret 16 key and put that somewhere, then -- 17 Q. And then -- 18 A. -- and it's not anywhere online, then 19 that's -- 20 Q. Okay. 21 A. -- what they mean by paper wallet. 22 Q. So then you could just delete everything even 23 off the computer because the key's all that you have to 24 have? 25 A. Right.</p>
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<p>1 A. That's right, yeah. 2 Q. And you said you can see the address, and you 3 can see the amount of bitcoin that's held there? 4 A. Uh-huh. 5 Q. Is that right? 6 A. Yes. 7 Q. And so anybody that wants to download the 8 software could do that? 9 A. Yeah. 10 Q. Okay. Wow. So do you still have those same 11 wallets that you had when you had Mt. Gox? 12 A. No. 13 Q. What did you do with them? 14 A. I mean, the key -- like, I never had them 15 locally. The keys were only on the server, so, yeah. 16 Q. I don't understand that. 17 A. That's not true, actually. I had -- I 18 believe I had a cold wallet. So I had those local 19 keys, but that I must have transferred to Mark, so ... 20 Q. You had a -- what was cold? You said you had 21 a cold what? 22 A. A cold wallet. 23 Q. Okay. What is that? 24 A. That's where some bitcoin is not online. So 25 it's basically reserved, like, off the -- offline. So</p>	<p>1 Q. Okay. So you had -- you had cold, but you 2 didn't have paper? 3 A. That's right. 4 Q. Okay. How did you get the cold bitcoin to 5 Mark? 6 A. I don't remember the exact mechanism, but I 7 mean, you can always put the cold one back online. 8 Right? I mean, you have to do it at some point to 9 actually make the transaction. 10 Q. And so you would -- at that point, you would 11 take that computer that was not connected to the 12 internet. Is that right? And then you could 13 transfer? How did you get it from the cold computer 14 to the being live again? 15 A. So, there's a couple ways you can do it. You 16 can basically make the transaction, and then what the 17 -- what you need the private key for is to actually 18 sign the transaction. So you can take the 19 transaction, which is just a blob of data, move it to 20 the cold computer, have the cold computer sign it, 21 copy that signed transaction, and then, you know, on a 22 USB key or something, and then put it back online. I 23 don't remember the exact mechanism I used to transfer 24 the coins to him, though. 25 Q. Okay. But you don't keep up with those</p>

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<p>1 wallets that you had back then --</p> <p>2 A. No.</p> <p>3 Q. -- with Mt. Gox anymore?</p> <p>4 A. No.</p> <p>5 Q. Okay. Did you empty those wallets? I guess</p> <p>6 you did, if you're not using them.</p> <p>7 A. Yeah. I mean, I definitely -- like, whatever</p> <p>8 was there, held by my wallets before, Mark took and</p> <p>9 put somewhere else. So there was no bitcoins left</p> <p>10 that were under my control --</p> <p>11 Q. Okay.</p> <p>12 A. -- after we sold it, so ...</p> <p>13 Q. All right.</p> <p>14 A. I'm going to run to the bathroom real quick.</p> <p>15 MR. GAULT: Sure. Let's take five.</p> <p>16 VIDEOGRAPHER: Off the record. the time is</p> <p>17 11:48.</p> <p>18 (Recess.)</p> <p>19 VIDEOGRAPHER: Back on the record. The time</p> <p>20 is 12:02.</p> <p>21 BY MR. TYNER:</p> <p>22 Q. I think I asked you this, but I just don't</p> <p>23 remember the answer. But about when was it that you</p> <p>24 hired Mark Karpeles to do that interface with the</p> <p>25 Finland bank?</p>	<p>1 A. No.</p> <p>2 Q. How would he be able to create this software</p> <p>3 -- would he create the software or the interface and</p> <p>4 just send it to you? Is that what would happen?</p> <p>5 A. Yes.</p> <p>6 Q. Okay. And so he would never have to have</p> <p>7 access to Mt. Gox in order to complete his work?</p> <p>8 A. No.</p> <p>9 Q. Okay. And why didn't you just do that</p> <p>10 yourself?</p> <p>11 A. I was pretty busy doing other things for</p> <p>12 Mt. Gox and other stuff, and, also, he had more</p> <p>13 experience with doing things like that, so he would be</p> <p>14 able to do it quicker than I would.</p> <p>15 Q. How did you know he had more experience?</p> <p>16 A. I mean, that's what he claimed. He claimed</p> <p>17 he had more experience doing it.</p> <p>18 Q. Okay. But it was just his own -- he</p> <p>19 responded to your request for somebody, and you</p> <p>20 believed he was capable?</p> <p>21 A. That's right.</p> <p>22 Q. Okay. You didn't do a background check on</p> <p>23 him?</p> <p>24 A. No.</p> <p>25 Q. Did he give you some references to call?</p>
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<p>1 A. I don't remember exactly. It was, I think,</p> <p>2 around December probably.</p> <p>3 Q. Okay. And you don't remember if he completed</p> <p>4 that or not before he actually bought the exchange?</p> <p>5 A. I'm pretty sure he completed it at some</p> <p>6 point. I just don't remember if it was before or</p> <p>7 after transfer was done.</p> <p>8 Q. Okay. And the transfer was the first part of</p> <p>9 February?</p> <p>10 A. Yeah.</p> <p>11 Q. So it's not a lot of time to have completed</p> <p>12 that. Right? What -- you said that you knew him from</p> <p>13 the forums online. Oh, and you put out a request,</p> <p>14 could somebody do this coding. Correct?</p> <p>15 A. That's right.</p> <p>16 Q. Okay. And he responded to you?</p> <p>17 A. Yeah.</p> <p>18 Q. And said that he was capable of doing that?</p> <p>19 A. Yes.</p> <p>20 Q. Okay. So in the course of that, the fact</p> <p>21 that he was going to be writing the software to</p> <p>22 interface with the Finland bank, did you give him</p> <p>23 access to Mt. Gox at that point?</p> <p>24 A. No.</p> <p>25 Q. Okay. So he wouldn't need access?</p>	<p>1 A. No. I mean, it was just for this small piece</p> <p>2 of contract work. You don't typically need to do</p> <p>3 that, so ...</p> <p>4 Q. So when you say small piece, how much money</p> <p>5 would you expect to pay him for that?</p> <p>6 A. I don't remember what we actually negotiated.</p> <p>7 It would be maybe a couple thousand or something like</p> <p>8 that, so ...</p> <p>9 Q. Okay. So it wasn't a huge project?</p> <p>10 A. No.</p> <p>11 Q. And you -- so the sale took place in the</p> <p>12 first part of February. When did you start talking to</p> <p>13 him about selling it to him?</p> <p>14 A. I don't remember the exact time. Probably in</p> <p>15 January, though.</p> <p>16 Q. So it kind of -- it went down pretty fast</p> <p>17 then, from the time you started talking to Mark to the</p> <p>18 point that you actually sold it to him?</p> <p>19 A. Yeah. I mean, you know.</p> <p>20 Q. Only a month or so?</p> <p>21 A. Yeah.</p> <p>22 Q. Okay. And did he pay you some money for</p> <p>23 that, for the Mt. Gox?</p> <p>24 A. No.</p> <p>25 Q. Okay. What was the agreement?</p>

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1 A. I would get 50 percent of the revenue for the
2 next, I believe, six months, so ...
3 Q. And how much revenue was it producing when
4 you sold it to him?
5 A. I mean, it would vary a lot, and it was
6 changing a lot. You know, up until that point, it
7 probably hadn't produced that much. I mean, I think,
8 at the time I sold it, I think, if it had kept going
9 at that exact rate, it would produce, like, 100,000 a
10 year or something like that.
11 Q. Okay. And so, let's see. If you started the
12 first part of February, then you would think you would
13 get -- and when you say you were going to get half the
14 revenue, is that half the gross revenue?
15 A. I believe it was half the gross revenue,
16 yeah.
17 Q. Okay. And so you would expect some payment
18 in March?
19 A. In March?
20 Q. Well, and it may not be monthly. What time
21 -- how often were you to be paid your half?
22 A. We didn't really specify those details, yeah.
23 Q. So it very well could have all come in at the
24 end of the six months, and he'd just send you half of
25 it at the end of the six months?

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1 A. That's right, yeah.
2 Q. Did he send you any money?
3 A. He did.
4 Q. Okay. When did he send you money?
5 A. I think it was about nine months after I sold
6 it.
7 Q. Okay. Just one payment?
8 A. That's right.
9 Q. Okay. What was that amount?
10 A. It was around 230,000, somewhere in there.
11 Q. Okay. At the end of the six months, did you
12 say, "Hey, where's my money," or --
13 A. I did.
14 Q. Okay.
15 A. Yeah.
16 Q. You had to start hounding him to send you --
17 A. It wasn't hounding exactly. I just had to
18 tell him a couple of times.
19 Q. Okay.
20 A. Yeah.
21 Q. And how did you verify that was the right
22 amount?
23 A. I still was able to look at the record of
24 transactions, so I could see the transactions that had
25 occurred. And based on that, I could calculate how

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1 much he would have made, so ...
2 Q. Okay. So that was pretty easy for you to
3 verify?
4 A. That's right.
5 Q. And then you retained a percentage ownership
6 of Mt. Gox?
7 A. That's right.
8 Q. And so -- let's see. It was a sole
9 proprietorship when you sold it. Right?
10 A. Yes.
11 Q. Okay. So did you receive any money for your
12 -- or what percentage did you retain?
13 A. Twelve percent.
14 Q. Okay. Did you receive anything for that 12
15 percent?
16 A. What do you mean, receive anything for that?
17 Q. Did you get payments?
18 A. No. I -- not from Mark, yeah.
19 Q. Okay. Did you get it in some other way?
20 A. Right before -- eventually, he was going to
21 declare bankruptcy, and someone approached me wanting
22 to kind of save Mt. Gox, and I sold my 12 percent to
23 them for, I think, a dollar or \$5, something really
24 nominal.
25 Q. Okay.

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1 A. So ...
2 Q. Who was that?
3 A. It was this group called Sunlot Holdings.
4 Q. Were they out of California, as well?
5 A. I don't know where they were based. One of
6 the people involved was from California. One was from
7 the UK. They were from, I think, from other parts of
8 the world, as well, so ...
9 Q. Were they a venture capital fund, or just
10 some interested bitcoin people?
11 A. I think it was a mix.
12 Q. Okay.
13 A. Yeah.
14 Q. Did you know any of them personally?
15 A. I think I had met one of them before. I
16 definitely know one now. I don't know if I'd met him
17 before or after that. I think I met him before.
18 Q. Who was that?
19 A. Brock Pierce.
20 Q. How did you know Brock?
21 A. He -- just from bitcoin space, just from,
22 like, conventions and things like that, so --
23 conferences.
24 Q. The wallets that you had when you were with
25 Mt. Gox, do you still have the information regarding

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<p>1 those wallets?</p> <p>2 A. No.</p> <p>3 Q. What did you do with it?</p> <p>4 A. I erased it when I sold it.</p> <p>5 Q. You erased the wallets?</p> <p>6 A. Yeah. I mean, all the private keys were no</p> <p>7 longer useful. They didn't have money in them</p> <p>8 anymore.</p> <p>9 Q. Okay. Can we -- can you go -- can I go, if I</p> <p>10 knew how, and look at and find those wallets?</p> <p>11 A. Possibly. I think it would be really hard to</p> <p>12 tell what were the internal Mt. Gox wallets and what</p> <p>13 were people that were just sending money back and</p> <p>14 forth to Mt. Gox.</p> <p>15 Q. Okay. But if someone was technical enough,</p> <p>16 they could go back and see all of the transactions?</p> <p>17 Like, the block chain is open?</p> <p>18 A. You can definitely see all the transactions.</p> <p>19 You just don't know who is the owner of these bitcoin</p> <p>20 addresses, so ...</p> <p>21 Q. Okay. The data that's kept with that</p> <p>22 address -- what data is kept with the address?</p> <p>23 A. With the bitcoin address?</p> <p>24 Q. Uh-huh.</p> <p>25 A. The only data it has is money -- like,</p>	<p>1 don't understand it.</p> <p>2 A. Yeah.</p> <p>3 Q. So you transferred the bitcoin, and the cash,</p> <p>4 and everything to Mark Karpeles when you sold it?</p> <p>5 A. Yes.</p> <p>6 Q. And when you sold it, you explained to him</p> <p>7 that these three accounts, I think you said three, had</p> <p>8 had -- had been compromised?</p> <p>9 A. That's right.</p> <p>10 Q. Okay. And the -- by the time -- at some</p> <p>11 point, you told the Raggios that you had seen it come</p> <p>12 back into Barron's account. Right?</p> <p>13 A. That's right.</p> <p>14 Q. Okay. And that you had frozen that account?</p> <p>15 A. Uh-huh.</p> <p>16 Q. "Yes?" Instead of "uh-huh," say "yes" or</p> <p>17 "no."</p> <p>18 A. Yes.</p> <p>19 Q. Okay. I'm sorry. And so what had you --</p> <p>20 what had you told the Raggios about that? Were you</p> <p>21 going to get that back to them?</p> <p>22 A. Like I said, once this money -- once we had</p> <p>23 realized that the money had -- or the bitcoins had</p> <p>24 come to this Barron account, once we had frozen the</p> <p>25 Barron account, Mark already owned the site, so it</p>
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<p>1 bitcoin flows in and out.</p> <p>2 Q. Okay.</p> <p>3 A. So the time of those flows and then amount.</p> <p>4 Q. There's no -- no other data is kept with that</p> <p>5 address other than the amount of bitcoin flowing?</p> <p>6 A. That's right, unless -- yeah.</p> <p>7 Q. I find it very fascinating. This is not even</p> <p>8 relevant, but can you store more data in a block</p> <p>9 chain?</p> <p>10 A. Yeah. Well, sort of. I mean, there's -- you</p> <p>11 could put more data in the transaction than just the</p> <p>12 movement of money.</p> <p>13 Q. Uh-huh.</p> <p>14 A. You can, like, attach additional information</p> <p>15 to the transaction. So you can kind of store</p> <p>16 additional data there.</p> <p>17 Q. I just see so many uses for the block chain</p> <p>18 besides currency.</p> <p>19 A. Yeah.</p> <p>20 Q. So I find it fascinating. Such as election</p> <p>21 fraud.</p> <p>22 A. Right.</p> <p>23 Q. Seriously.</p> <p>24 A. Yeah.</p> <p>25 Q. I think there are a lot more uses. I just</p>	<p>1 wasn't up to me anymore. So, yeah.</p> <p>2 Q. But did you tell the Raggios that you were</p> <p>3 going to look into it and then release their amount to</p> <p>4 them?</p> <p>5 A. No, I don't believe I said that to them,</p> <p>6 because it wasn't my say anymore. I said that they</p> <p>7 would have to deal with Mark.</p> <p>8 Q. And did you confirm with Mark that he was</p> <p>9 going to make sure that they got paid?</p> <p>10 A. I recommended that Mark pay them, but it was</p> <p>11 Mark's decision whether to pay them or not.</p> <p>12 Q. And were you always truthful with the</p> <p>13 Raggios?</p> <p>14 A. I believe so, yeah.</p> <p>15 Q. When you and the mother of your children</p> <p>16 moved to Costa Rica, you stayed about a year?</p> <p>17 A. Uh-huh.</p> <p>18 Q. Right? When you came back stateside, were</p> <p>19 you and she still together?</p> <p>20 A. Yeah, yes.</p> <p>21 Q. And are you still today? "Yeah" is fine.</p> <p>22 A. No, we're not.</p> <p>23 Q. Okay. Where does she live now?</p> <p>24 A. She lives in Berkeley.</p> <p>25 Q. When you were running Mt. Gox, what would a</p>

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<p>1 normal day be like for you? What were you actually 2 doing? 3 A. There was a lot of customer support-type 4 questions I would have to answer. There was a lot of 5 improvements to the site I would be trying to make. 6 There was, you know, a lot of, like, keeping up with 7 the forums and what was happening, and just doing kind 8 of marketing, for lack of a better word, and trying to 9 find new ways to get money in and out of the site, 10 things like that. So just general operations kind of 11 stuff. 12 Q. When you were running Mt. Gox, did you get 13 any legal advice on securities, or money, currency, or 14 anything? 15 MR. GAULT: "Securities" meaning what? 16 BY MR. TYNER: 17 Q. It's hard to define what bitcoin is, but 18 whether it's a security, or a commodity, or whatever. 19 A. Yeah. Eventually, I talked to some lawyers 20 about how bitcoin would be classified and running 21 Mt. Gox in general. 22 Q. And when would that have been? 23 A. I believe that was in around December or 24 something like this. 25 Q. Have you come to a conclusion as to how it's</p>	<p>1 Q. And so you did not release the money or 2 bitcoin to him? 3 A. Again, it was in Mark's hands at this point, 4 but I don't know that Mark did. 5 Q. Okay. 6 A. I don't think he did. 7 Q. Okay. 8 (Outside noise.) 9 MR. GAULT: Give me one second. I'm just 10 going to tell them to, shh, keep it down. 11 MR. TYNER: It's not bothering me. My head's 12 swimming. 13 (Discussion had off the record, not 14 reported.) 15 BY MR. TYNER: 16 Q. When was the last time you talked to Chris 17 Raggio? 18 A. It was a couple of months ago, something like 19 this. 20 Q. What was the nature of that conversation? 21 A. I asked if I could call him to -- I just 22 wanted to understand why he was pursuing this. 23 Q. What did you say to Chris? 24 A. Basically just asking him, like, why, when 25 all our previous conversations up until now, he was</p>
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<p>1 classified on -- 2 A. I don't think the government has come to a 3 conclusion on how it's classified. So I'll wait for 4 them to -- 5 Q. They still have not decided what it is? 6 A. I mean, there's vague guidance on it, but 7 it's nothing completely conclusive, I don't think, 8 so -- or at least to my knowledge, it's not 9 conclusive. 10 Q. Okay. I think you said that you were 11 e-mailing Barron. Right? Is that -- 12 A. Yeah, that's right. 13 Q. What did -- that's right. I'm sorry. He 14 told you that they were legitimate. Did -- you never 15 did identify who Barron was, did you? 16 A. No. We asked for him to send identification. 17 He sent us what looked pretty clearly like a fake 18 passport, so ... 19 Q. Okay. 20 A. Yeah. 21 Q. Do you remember where that one said he was 22 from or -- 23 A. I believe it was Russia. 24 Q. Okay. 25 A. Yeah.</p>	<p>1 very much saying that this wasn't my responsibility, 2 it was Mark's responsibility, and just wondering why 3 he had changed his mind, and that, basically, he was 4 just wasting my money and time, and his own, probably, 5 and it seemed very frivolous to me. Because prior, up 6 to that point, it seemed like we were friendly. So it 7 seemed like a crappy thing for him to do. 8 Q. Well, did -- but you represented to Mark that 9 he was going to get his coin. Right? 10 MR. GAULT: Mark? 11 A. I represented -- 12 BY MR. TYNER: 13 Q. I'm sorry. To Chris Raggio. 14 A. No, I didn't. 15 Q. Okay. Were you aware that Mark Karpeles told 16 him he would get it to him? 17 A. I mean, he -- all I'd heard was what Chris 18 told me about his conversations with Mark. He was 19 talking to Mark directly. 20 Q. Uh-huh. 21 A. So ... 22 Q. So you never made calls or e-mails to Mark 23 Karpeles on Chris's behalf? I take that back. You 24 said, a while ago, you thought you may have e-mailed 25 him.</p>

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<p>1 A. I may have e-mailed him. You know, I may 2 have e-mailed him asking him what was happening with 3 it. So, you know, I don't remember -- again, it's a 4 long time ago. I don't remember the exact character 5 of those e-mails. 6 Q. Did you get a chance to review the documents 7 that we gave to your lawyers? 8 A. Yes. 9 Q. Was there anything in there that appeared to 10 be manufactured or incorrect, or did it look like the 11 transaction as you remembered it? 12 A. I didn't notice anything that seemed that 13 way. 14 Q. Okay. Did -- for some time, at least we know 15 for nine months or so, that you had access to see the 16 transactions and all at Mt. Gox. Did that ever stop 17 or did you always have that access? 18 A. No, it stopped after he made the payment to 19 me. Actually, it may have even stopped a bit before, 20 but ... 21 Q. And that payment was in around the fall of -- 22 A. 2011. 23 Q. Yeah, 2011. But you were still -- you still 24 had a legitimate 12 percent interest in the company. 25 Did you make inquiry as to your portion of the</p>	<p>1 A. I don't recall that being true. It could be 2 true, but I wasn't paying close enough attention to 3 notice. 4 Q. Okay. You, fairly quickly after you sold 5 Mt. Gox, you went on to Ripple. Is that accurate? 6 A. I mean, it was a few months, but, yeah. 7 Q. Yeah. Okay. 8 A. Yeah. 9 Q. But you still kept up with the bitcoin world, 10 too. Is that true? 11 A. That's true, yeah. 12 Q. Okay. And you would actually go to bitcoin 13 forums, or conventions, or whatever? 14 A. Yeah. I went to maybe just a couple, but, 15 yeah. 16 Q. Okay. And you met Chris Raggio personally at 17 one of them? 18 A. Before I started Ripple, but, yes. 19 Q. Okay. And that was in New York. Is that 20 right? 21 A. Yes. 22 Q. Where else did you attend the meetings? 23 A. There was one in San Jose that I went to. I 24 mean, I've been to others since, you know, since 25 Ripple. But during the Ripple time, I just remember</p>
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<p>1 proceeds for that 12 percent? 2 A. At some point I did. You know, he always 3 maintained that he wasn't disbursing any funds, so, 4 you know, I wouldn't be able to get anything until he 5 disbursed to the other shareholders, as well. 6 Q. And you really didn't have any way to audit 7 him or -- 8 A. No. 9 Q. -- see what was going on? 10 A. No. 11 Q. Were you aware that there were major problems 12 happening at Mt. Gox? 13 A. No. 14 Q. Was the bankruptcy a surprise to you? 15 A. Yes. 16 Q. In looking at some of the, you know -- later, 17 there were some more exchanges that came up, and it 18 may have been Bitstamp. Seems like there was one in 19 Slovenia. Is that Bitstamp? I can't remember. 20 A. Bitstamp is in Slovenia, yeah. 21 Q. But there were a number of different 22 exchanges that came up. And looking back at trades 23 from the other exchanges, there was always -- the 24 amount paid for bitcoin at Mt. Gox always seemed 25 elevated among the other ones. Do you recall that?</p>	<p>1 one in San Jose. Maybe I went to another one, but ... 2 Q. When you were -- how did it come up that you 3 were even interested in selling Mt. Gox? 4 A. Like, how did I broach the subject with Mark? 5 Q. Yes. 6 A. I mean, I don't remember exactly, but I 7 probably just said I'm wanting to sell this, are you 8 interested in taking it over, so ... 9 Q. And did you -- you didn't put it out and 10 advertise that you were selling Mt. Gox? 11 A. No. 12 Q. Like you would a car? 13 A. No. 14 Q. Okay. Did you talk with anyone besides Mark 15 about purchasing Mt. Gox? 16 A. Maybe, but I don't know. I don't remember. 17 Q. You said that you hired Mark in around 18 December of '10, and then you completed the sale of 19 Mt. Gox early part of February to Mark. At what point 20 did you decide you wanted to sell Mt. Gox? 21 A. I don't remember the exact point. I mean, I 22 had been thinking about it for a while. So probably 23 before I started talking to him. 24 Q. Are you currently involved in any other 25 litigation --</p>

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1 A. No.
2 Q. -- as a party?
3 A. No.
4 MR. TYNER: Give me one second.
5 MR. GAULT: Sure.
6 MR. TYNER: Let's just go off the record for
7 a minute, and we'll take a break.
8 VIDEOGRAPHER: Off the record. The time
9 is 12:37.
10 (Recess.)
11 VIDEOGRAPHER: Back on the record. The time
12 is 1:02.
13 MR. TYNER: I don't think I have any more
14 questions for you.
15 THE WITNESS: Okay.
16 MR. TYNER: You're going to make your flight.
17 THE WITNESS: All right. Thank you.
18 MR. TYNER: Have you got any questions?
19 MR. GAULT: No questions.
20 VIDEOGRAPHER: This concluded this
21 deposition. The time is 1:02.
22 (Whereupon the deposition was concluded at
23 1:02 p.m., the same day.)
24
25

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1 DEPONENT'S CERTIFICATE
2 I, Jed McCaleb, the deponent in the foregoing
3 deposition, certify that I have read the foregoing
4 pages 4 - 117, being the total number of pages
5 relating to my testimony, as to the correctness
6 thereof, and that after reading said pages and subject
7 to any corrections I may have reflected below, I
8 certify that this testimony is true, correct and
9 complete and that the transcript thereof is true and
10 correct.
11
12 Jed McCaleb
13 STATE OF _____
14 COUNTY OF _____
15 SWORN TO AND SUBSCRIBED before me on this the
16 _____ day of _____, 20____.
17
18 NOTARY PUBLIC
19 My Commission expires: _____
20
21
22
23
24
25

PAGE	LINE	CORRECTION	REASON

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1 CERTIFICATE OF COURT REPORTER
2 I, Catherine M. White, CSR, and Notary Public
3 in and for the County of Hinds, State of Mississippi,
4 hereby certify that the foregoing pages, and including
5 this page, contain a true and correct transcript of
6 the testimony of the witness, as taken by me at the
7 time and place heretofore stated, and later reduced to
8 typewritten form by computer-aided transcription under
9 my supervision and to the best of my skill and
10 ability.
11 I further certify that I placed the witness
12 under oath to truthfully answer the questions in this
13 matter under the power vested in me by the State of
14 Mississippi. I further certify that I am not in the
15 employ of or related to any counsel or party in this
16 matter, and have no interest, monetary or otherwise,
17 in the final outcome of the proceedings.
18 Witness my signature and seal this the _____
19 day of _____, 201____.
20
21 CATHERINE M. WHITE, CSR No. 1309
22 My Commission Expires:
23 February 1, 2018
24
25

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